The MAGAZINE *of* WALL STREET

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Correct Methods of Investment and Speculation

R. D. WYCKOFF

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The MAGAZINE of WALL STREET

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THE OUTLOOK

Government Attitude Encouraging—Peace Prospect Small—Bonds—Railroads and Industrials—The Market Prospect

THE clear intention of the President to protect investors so far as the Government can reasonably do that, has done more to put heart into holders and prospective buyers of securities than any other development since America entered the war.

It will be remembered that, in asking Congress to appropriate $500,000,000 to meet the cost of guaranties to railroad security holders and of maturing obligations, the President said: "No fundamental industrial values should anywhere be unnecessarily impaired... Railway securities... constitute a vital part of the structure of credit, and the unquestioned solidity of that structure must be maintained."

The more investors think over that statement, and compare it in their minds with the attitude of the Government before the war, the better they like it. "Fundamental industrial values" cover a broad field. They are not confined to the railroads.

Peace Prospects Slender

NEVERTHELESS the question is not so much what the Government would like to do as what it can do. The war situation is for the most part beyond the direct control of any government. The United States is struggling with a tremendous, epochal cataclysm, which now looks likely to require almost the last pound of our strength.

Peace looks nearly as far away as ever. It is true that there are evidences of financial and industrial disintegration in Germany and Austria. Food conditions in Berlin are probably at their worst this winter. Of the last German war loan, only about 12% was contributed by small subscribers, against 20% to the first and fourth loans. The big subscriptions of war contractors and great moneyed interests, where Government pressure can be more effectively applied, made up the deficiency. The figures confirm the reports frequently received here of unrest and dissatisfaction among the German people.

Austria, in order to raise funds, has resorted to a loan of 1,500,000,000 kronen by the State Bank to the Government bearing ½% interest and payable 18 months after the end of the war. The bank prints the notes and hands them over to the Government. This is of course nothing but printing press money—"fiat currency"—so thinly disguised as to be scarcely disguised at all. It is the desperate expedient of a bankrupt nation.

What Government Operation has Accomplished

WE cannot expect any immediate change in the railroad congestion from Government operation, especially in view of the severe weather which has hampered transportation. Somthing, however, has been accomplished.

Existing priority orders, partly contradictory, have been cancelled; duplicate service is being eliminated; Southern and Western locomotives are being sent East; passenger service is being further reduced; charges to shippers for the use of loaded

freight cars have been doubled, to hasten the release of cars; the roads have been called on for detailed figures as to their financial needs for 1918, for both refunding and improvements.

The Government must evidently become the buyer of new railroad bonds for the remainder of the war—but we must not forget that the people will have to furnish the money just the same by buying Government bonds for the purpose. The demands on the capital market will be just as great as though the roads issued the securities themselves.

The Bond Market

THERE is little change in the money market, except a seasonal ease in call money. Banks and trust companies have bought bonds, in very moderate amounts it is true, but enough to indicate some change of attitude on their part. High grade railroad bonds have rallied about three points from the bottom, the best rally for more than a year—due, of course, to the new Government policy toward the rails.

But with another Government loan coming along in a month or two, it is hard to see where the capital can come from to support any material advance in the prices of corporation bonds.

Railroad Stocks

RAILROAD stocks should now hold their own comparatively well, with the Government behind them, except as they may be depressed by any further rise in the general rate of interest on long term investments. Some of the railroad preferred stocks and junior bonds might advance further when Congress formally endorses the President's program, as it is expected to do. On the other hand the incentive to buy railroad common stocks for an advance is now very small, since their position while the war lasts is practically known in advance.

Industrials

BUSINESS men in general, in figuring up for 1917, find that their profits were satisfactory in spite of high costs. The small business failures are further evidence in the same direction. In the steel industry, bigger production in 1918, if that should prove possible, is not likely to mean bigger profits. High costs will prevent that, even if Government prices remain unchanged; but there is a strong probability that the Government will readjust profits on a basis of cost plus a fixed per cent. This would probably reduce the profits of the biggest producers, like U. S. Steel.

The Government will be forced into a constantly larger control of industry and labor, in its struggle to wage war in the face of car, coal and labor shortage, rising costs and war readjustments. Such conditions are not likely to increase the profits of the big industrial companies.

The Market Prospect

WHILE there has been some activity of speculative pools, the buying on the January rally was mostly by small investors who thought the turn had come. There was little if any increase in brokers' bank loans at the advance, showing that public buying on margin was small. This leaves the market in a relatively good technical position, but under war conditions it is not at all impossible that we may see another wave of investment liquidation. We cannot apply peace judgment to a war situation.

Enormous 1917 war taxes must be paid in the first half of 1918. Both individuals and corporations will have to raise the money to meet them. This in itself may force further liquidation.

A good deal of the selling on the rally was of a class commonly called "distribution." The big financial interests were more inclined to sell than to buy. While the period of acute alarm is probably over, the outlook is for a downward drift in prices.

January 14, 1918.

Our Point of View

On Vital Factors in Finance and Business

Can the Government Let Go?

NO question is being more generally discussed among investors than whether the Government, having once taken hold of the railroads, can ever let go again.

There are two distinct routes by which some observers are arriving at the conclusion that the Government can't let go. One view is that Uncle Sam will find himself so thoroughly ensnared in the vice-like tentacles of the railroad-finance octopus that escape will be hopeless. The other is that Government operation will bring such an increase in efficiency, such an elimination of duplicated terminals, ferries, redundant service, waste, show, fancy salaries, cost of soliciting business, advertising, and what-not, that the public will never consent to a return to private operation.

* * *

See Alaska Grizzlies in the Path

On the other hand, there are many who see in the path not merely ordinary bears but huge Alaska grizzlies, open-mouthed, voracious, traveling in herds like the one-time bison of the Western plains.

These people point to the Government Printing Office and ask what kind of success it has had as a printer; to the Congressional Record as an instance of the Government as a publisher; to the tremendous cost of Government statistics in all departments, and to the fact that they are usually so late in coming out that they relate to a past era; to the "Pork" appropriations, and the manner in which they have been spent; to the inefficiency and lack of interest shown by many Government employees; to the present confusion and delay in the handling of mail, and to the fact that the Post Office Department has nearly always been run at a loss.

Then they point abroad, and ask whether we like the Government-operated roads of Europe as well as our own under private operation. They speak of high freight rates abroad, small equipment, slow trains, multiplication of employees who seem to be largely ornamental.

Do the American people, they ask, want to see our railroads run like our Government River and Harbor improvement work? Or even like the railroads of France or Italy?

* * *

Can't Compare Railroads with Gooseberries

There is a lot to be said on both sides. Government regulation in this country has in the main been a good thing for the roads as well as for the people; and it is not at all likely that the roads would have been able to meet the present tremendous war requirements if they had remained unregulated. Suppose the roads had been permitted to raise their rates to suit themselves. They would now have in hand more money with which to buy equipment and keep up maintenance. But it is not lack of money that is holding these things back—it is lack of men and materials.

Comparisons with the Government-operated railroads of Europe are unfair because conditions there are entirely different from those on this side. The United States is not Italy or Russia. Our Government has done some things extremely well—better than private enterprise would have done those things. Some other things it has done very poorly. But hardly any of the Government's activities heretofore have had any such close connection with the life, well being and prosperity of the people as the railroads have. Will not the people hold the Government to a closer responsibility in railroad operation, and thus compel greater efficiency?

And after all, private railroad ownership has resulted in some very odorous scandals—not to use any stronger word; in fact the odor from some of them has not entirely blown away yet. Did you happen to own any stock in the old "Rock Island Company?"

In a word, Government operation is an experiment which must be given a fair and unprejudiced trial, and not prejudged on the basis of a lot of other things which are essentially different. It is useless to compare operating a railroad with raising gooseberries.

* * *

Investors Will Retain Their Shirts

Investors have feared, judging from the rabid anti-railroad attitude of Congress before the war, that they might lose not only their ordinary articles of external apparel but even their

more intimate garments and be obliged to wear barrels.

The one clear feature now is that this will not happen. The war is changing everything, and nothing more than the feeling of the country toward investors. It is the buyers of Liberty Bonds who are saving the country, when you go to the bottom of the matter. Little could be done without the money they are furnishing. The war is teaching people what investment means. Uncle Sam is going to be fair with the people who have put up the money to build the railroads—and all the more, perhaps, because he is now getting a liberal taste of the same medicine.

* * *

Making War Instead of Money We are rapidly re-adjusting ourselves to the business of making war in place of the business of making money. The 1917 production of soft coal was about 50,000,000 tons greater than 1916, yet there is a shortage of perhaps 40,000,000 tons now, and hundreds of ships have been held up waiting for coal. But that is the point where readjustment is the worst. It is perhaps clear to everybody that the price first fixed by the Government on bituminous coal was too low.

But something like three-quarters of our present iron and steel production is directly or indirectly for war purposes, over 85% of the copper, 45% of our woolen and worsted capacity, and so on. In taking over establishments for war work, the Government is following the policy of selecting those engaged in the production of non-essentials wherever possible. This prevents employees in such industries from being thrown out of work, as they might otherwise be with the increasing pressure of the war on luxuries.

The people have to be educated to the necessity of applying all our energies to the war and education is a slow process. Those who are worried because a falling off in the demand for luxuries may cause industrial distress are needlessly alarmed. There are two jobs to the man now and are likely to be while the war lasts.

* * *

Down to the Last Dog and Cat Our difficulty is that a great number of our people are *waiting with much interest to see the Government fight the war.* And they are ready enough to criticize if the Government is slow about it. What they fail to realize is that the Government is merely a sort of X, which stands for all of us, and that all of us have got to fight the war.

The brakeman, coal shoveler, iron puddler, teamster, or copper miner, does not see that his day-to-day labor is winning or losing the war. The workman who quits his job because he has made so much money that he wants to stop and spend some, does not realize that he is fighting for the Kaiser by doing that—if he did he would stay at work. The novel writer and the music student do not see that in this war they are dead weight for Uncle Sam to carry.

We have got to realize that the Government is nothing but us. This is a war of peoples. If it is won we have all got to fight it. We are fighting an enemy that is organized down to the last dog and cat. We must organize the same way.

* * *

Harnessing a Wild Nightmare In the fine frenzy of its income tax dream—which seems more like a nightmare to some of those who pay the tax—the Treasury Department ruled that when a corporation gives you two shares of stock, worth at market value $50 each, in place of one which was worth $100, you have to pay the Government an income tax on one of those two shares. The corporation is the same, the value of its property is the same, the total market value of its stock is the same, but you are not the same—you are out the income tax on half your holdings of the stock.

Nothing could be more absurd, and the fact that the Supreme Court has upset this hocus-pocus shows the desirability of having a Supreme Court.

* * *

Whipping Him Around the Stump The American Tobacco Company will continue its regular 20% dividends, but it will pay them in scrip. It will pay the dividends but it will still have the money. (A bright thought—could we pay some of our bills that way?) It would not be legal for any company to issue short term notes and turn around and pay the money out as dividends on the stock. But this scrip can be bought and sold and will in many cases go out of the hands of the original stockholders. Well, it's a funny world, isn't it?

Railroads and Politics

Incalculable Danger in the Radicalism That Is Not Constructive; and That Is the Kind of Radicalism That Proposes Government Ownership of Railroads

By E. MARSHALL YOUNG
Editor, *Investors'*

[Government operation of the railroads is an experiment. It has been forced upon the country by war conditions. The results should be viewed impartially and without prior prejudice. THE MAGAZINE OF WALL STREET will from time to time present the views of leading men on all sides of the question. The following exceedingly clear and interesting article by a trained and experienced observer presents one important angle of the situation.—*Editor.*]

IF ever there was a time when calmness in national thinking was essential to the welfare of the whole people, it is right now when political opportunists, distorting the reasons for governmental control of American railroads, have taken occasion to press the proposition of the extension of the functions of government to include the ownership of transportation facilities.

I make this assertion with no desire to reflect upon those serious persons who believe that quasi-public institutions should be converted into government property; and those who, disgusted with the record of railroad management under the control of financial powers owning no money interest in the properties upon which their grip has been fastened, seek government ownership as the release from bondage.

I seek rather to impress the necessity of radical changes of the conditions antibellum, and the imperative duty of those in whom has been intrusted the law-making power, to be governed only by *the kind of radicalism that is constructive.*

A False Assumption

In my opinion, the proposition of government ownership of our transportation facilities, plausible though it may appear in theory, is based upon a false assumption, supported by mistaken ideas of economic necessity, and, if accepted, would prove to be a political departure which would have disastrous effects upon the social, political and economic structure of the country.

I have been informed, by one who it is reasonable to conclude is certain of his information, that the men who control the destinies of our country have been warned by France against any expedient which would open the way for State Socialism, or the extension of the forms of democratic government to include ownership of the common carriers.

I might cite the warning given to us by that great French Deputy, M. Leroy-Beaulieu, who has said:

"From all points of view the experience of State railways in France is unfavorable. . . . The State, above all an elective administration, cannot be a good commercial manager. It works expensively, and is powerless before its employes."

In addition, there is the warning in the fact that, in the ten years preceding the outbreak of the war in Europe, the most serious problem confronting the government of France, was the open challenge of the government and the defiance of its power, by the very persons to whom it gave positions as servants of the government, the people. I refer to the French civil service, who sought to set up a sort of economic federalism which considered itself above its employer. This condition was nothing but the direct result of the mistaken policy of the government in the extension of its functions to the extreme of State Socialism.

It seems, and the experience of other nations which have tried the experiment should be considered, that government ownership of railways is nothing if it is not an attempt to create what may be termed "sovereignty of the state."

Some years ago a railroad commission in the State of Georgia handed down the remarkable opinion that "transportation is king; he who controls it, controls every-

thing. Powerful in wealth and patronage, it is stronger than the people."

The greatest publicists and legal authorities have warned against creating sovereignty in the state. And what would the creation of a power in the state such as ownership of what is stronger than the people be?

Royer-Collard, one of the ablest legal minds of the Nineteenth Century, writes that as soon as there is sovereignty in the state there is despotism; as soon as despotism, there is either social death or profound organic disorder.

Policy of Necessity

Obviously, the action of the Government at Washington in assuming control of the railroads was inspired by the necessity of doing that which laws enacted and policies pursued by government in the past in accord with a somewhat blundering and mistaken conception of the needs of the nation had rendered impossible for the private managements to do.

Therefore, there must be found some safe and really constructive way in which to prepare for the post bellum period. It is certain that we cannot return to the conditions prevailing before we entered the war; and I mean the conditions either in Washington or in the corporations themselves. Certain it is there must be governmental regulation and a closer alliance and better understanding between the public and the real owners of the railroads.

It has been admitted by the French people that a democratic organization is effective in regulation, but that it cannot embark safely upon the uncertain sea of State Socialism, or ownership of railroads. Not long ago the man whom the Union of South Africa placed at the head of its railways himself condemned the system of public ownership and lamented the inability of the government to run them as railroads and not as political institutions.

If there has been any measure of success in government ownership, it has been in Germany, where Prussian Pan-Germanic ambitions demand decentralized control; the creation of absolute power in the hands of an autocratic system. But America just now is pledged to the last dollar and the last man to the end that the autocracy which was builded upon the foundation of transportation ownership, and the perquisites, may be overthrown.

The safest, most rational and constructive way to solve the problem is to define the duties and powers of regulation and supervision, so constitute them as to avoid conflict of laws, centralize authority so that when an appeal of a railroad is answered that answer may be final.

Must Protect Investors

Obviously, the men and women whose savings are invested in the securities of railroads are entitled to reasonable returns. Quite as obvious it is that the general welfare of the public, and perhaps more particularly that portion which invests, demands a careful regulation and supervision of the issuance of securities by railroads.

And because interstate carriers are quasi-public, the issuance of their securities are rightly the concern of the federal government, the effect being national. But, no matter how perfect the regulation or supervision, railroad corporations could not market their securities if the earning power of the issuing corporation is not allowed to create a reasonable margin above costs of operation.

Had as great concern been expressed in the past for rights of security owners, perhaps our railroads would have been in better physical condition when war came upon us. Had persons seriously and earnestly mindful of the rights of shippers to reasonable rates been as seriously concerned about enabling the railroads to earn a living income in the face of advancing costs of doing business, perhaps security owners would not have lost millions of dollars and railroad securities would be selling closer to their intrinsic values.

So we must be careful indeed when endeavoring to arrive at a final decision upon this great question. We must view with open minds the experiences of others in government ownership. We must in any event do that which will save transportation in the United States from the blight of politics. Already, with what some persons have seen fit to declare is the forerunner of government ownership, we are informed from Washington that Director General McAdoo has been literally flooded with applications from party followers for positions as state supervisors of transportation.

BUSINESS AND FINANCE SERIES

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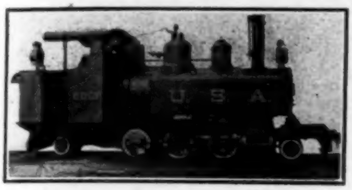


U. S. Narrow Gauge Locomotive for Use Behind the Lines in France

Railway Supply Industry in 1917 and Its Prospects

A Half a Billion a Year Business—Russian Orders and U. S. War Orders—The Outlook

By CHARLES W. FOSS
Associate Editor, *Railway Age*

THE outlook in the railway supply industry as this is written is better than it has been at any moment in the last twelve months. Not that the railway supply men do not still have their worries—but that the lighter and more optimistic elements are the predominating ones.

The term railway supply industry characterizes a business that under normal conditions does an annual business with the railways, either in this country or abroad, of well over a billion dollars a year. In this article, however, it is the author's intention to cover only that part of it which deals with cars and locomotives and their attachments, commonly known in the trade as specialties. This part of the industry does a business aggregating over half a billion dollars yearly and includes such companies as the American Locomotive Company, the Baldwin Locomotive Works, the American Car & Foundry Company, the Standard Steel Car Company, the Pressed Steel Car Company, the Pullman Company, numerous specialty companies such as the Westinghouse Air Brake Company, the Railway Steel Spring Company, the American Brake Shoe & Foundry Company, the several locomotive appliance companies known commonly as the Franklin Railway Supply Company group, etc.

A Fluctuating Industry

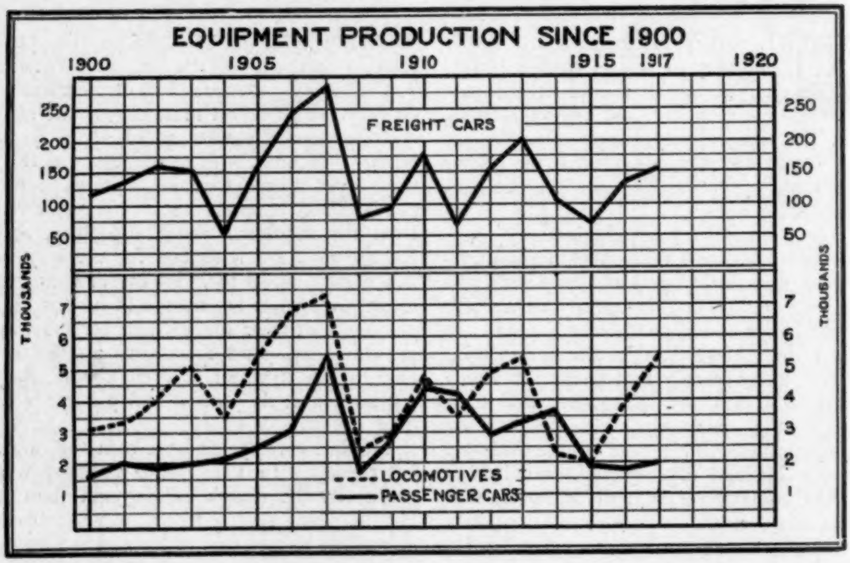
The railway supply business is noteworthy for the fluctuations in its volume over good years and bad, and if it were not for the accentuations of prosperity or depression resulting from the peculiar purchasing methods of the railways, there would be few industries within the nation's confines which reflect more closely the general economic conditions of industry at large. The amount of money that the railways may spend for new equipment depends directly upon the revenue received from the industries which use them, and the railways are notorious for the way in which they do all their buying of cars and locomotives when business is at its best and prices are at their highest and for the way in which they find themselves almost unable to buy a wheel or even a bolt when business is at its poorest and prices are at their lowest.

The last three years have seen this work out exactly. In 1915, when industry was deeper in the slough of despond than it had been for several years, it was almost impossible to give cars or locomotives away, and the purchases of cars and engines were less than for any year, with one exception, in the last two decades. The following year, 1916, saw better conditions in industry in general, on the railways and in the supply field, and it was interesting to see orders for equipment increase almost in direct ratio to the increase in business, the increase in the number of orders on the books and the rise in prices. Added to these purchases by the American railroads there were orders for cars and locomotives, shells and guns from overseas, so that 1916 was one of the most prosperous the supply industry has ever known. Although even with the foreign orders the number

of cars and locomotives ordered was not as great as in some former years, the money value of the equipment ordered was a record breaker.

The same movement continued into 1917 but because of the very high prices it has gradually defeated itself, particularly as relates to freight cars. The high prices, that is to say, finally checked the momentum of equipment business, thereby preventing the equipment market from showing itself a real barometer. Prices became so high that the railways did not dare attempt to reach them no matter how badly they needed cars and locomotives for the great rush of business that has been placed before them. In 1917, nevertheless, largely because of United States government and foreign orders, the number (but not the value) of locomotives was the largest it has ever been. The car market, on the other hand, in spite of these same United States government and foreign orders, was at the lowest level, with one exception, that it has reached since accurate records of orders began to be compiled in 1901.

The orders for cars and locomotives from overseas, the contracts for guns and shells and the great quantity of orders that were held over from 1916 to 1917, however, have saved the day as far as the equipment industry has been concerned, so that, on the whole, even if the railway purchases in 1916 did not reach the record breaking levels that were reached in many other industries, the supply industry has been well sustained and now finds itself in a really prosperous condition.



The Story of 1917

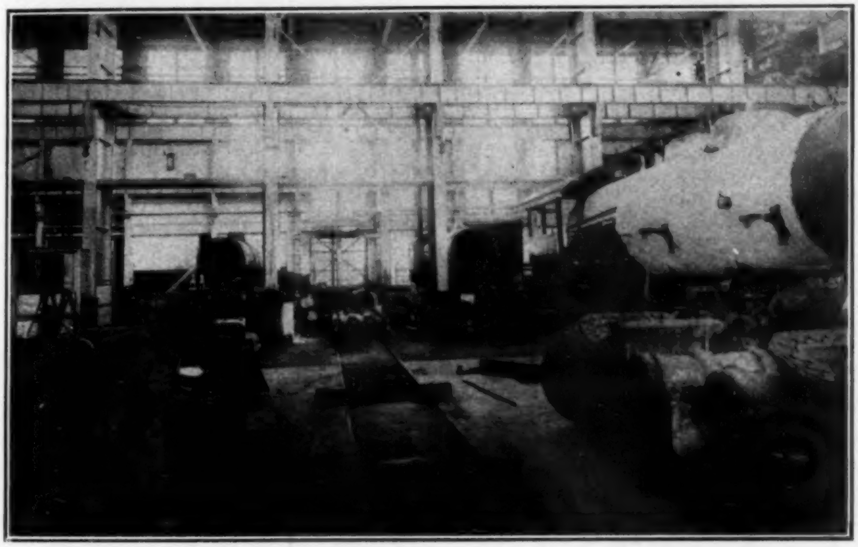
One of the best ways to get a bird's-eye view of the present conditions in the industry is to examine in more detail what has taken place during the year we have just left behind us. And it will further help us if we will divide the consideration of locomotives and cars respectively, because conditions in connection with the two kinds of equipment have been so different.

The number of locomotives ordered in 1917 by railways and industrials together, foreign war departments and foreign railways, totaled 7,642, including 2,701 ordered by companies in North America, 2,057 ordered by the United States government for service on the American railways in France; and 2,881 ordered for export to England, France, Russia and other foreign countries. The last figure, 2,881, it should be amplified, includes 2,196 locomotives for the Russian government, many

of which have not yet been shipped, and an entire 1,500 which were ordered last November but which are not yet built and which have been held up pending developments in that ill-fated nation. The total number of locomotives, 7,642, compares with 5,893 ordered in 1916, and it is worthy of note that the orders for foreign and domestic locomotives alike in 1917 were less than in 1916, the difference in the total being accounted for by the United States government orders.

There are many interesting features in connection with the 1917 totals. First as to the domestic orders. The total of 2,704 locomotives ordered for the railways in the United States and Canada represents a decrease from 2,910 in 1916; it is almost equal to the number of locomotives ordered in 1914 and 1915 together but still considerably less than the average for the single years from 1913 back to 1901. In other words, the railways of this country have not been ordering a sufficient number of new locomotives in any year since 1913 to take care of retirements and the normal increase in business, and the reason for that we know is primarily unregulated railway regulation.

But in 1917 there were also other factors. One was the high prices. Another was extremely poor deliveries. It has been only in the last few weeks that the government authorities at Washington have begun to realize the urgent need for new motive power on our railroads. Throughout almost all of 1917, the locomotive plants have been under orders to give priority of construction to orders for the railways of our allies rather than to orders for our railroads at home. These have been large orders for England, France and Russia and for our own War Department, all of which have been put ahead of orders for American railroads which were on the books six or even ten months before.



Interior Schenectady Plant, Baldwin Locomotive Co.

Improved Conditions

That condition is being remedied now and more about its being remedied will be said below, but the resulting exceedingly poor deliveries and the high prices combined have been until recently a very considerable damper on the market. The remedying of the condition within the past few weeks will at once release American locomotives that have been on order since May or even February and should attract more new orders within the very near future.

The Russian Orders

Perhaps the orders that have caused the most trouble in this respect have been the Russian orders. Russia's first order for locomotives in this country back in June, 1915, was the breaking of the clouds that had settled over the equipment industry and the orders that followed from time to time were the sunshine. But of late the Russian locomotive orders have been less welcome but nevertheless an urgent demand that has been placed upon us as a duty towards an ally. Russia has placed orders with American locomotive builders since the beginning of the war for no less than 3,400 locomotives, mostly heavy freight engines. These have now been practically all completed with the exception of the 1,500 mentioned above which are at present held in abeyance. The last previous order for 500 placed as late as last June is just about completed, this order, it will be borne in mind, having been given priority over American orders placed as far back as March or May.

EQUIPMENT ORDERS

DOMESTIC ORDERS FOR LOCOMOTIVES SINCE 1901

Year	Locomotives	Year	Locomotives
1901	4,340	1910	3,787
1902	4,665	1911	2,850
1903	3,283	1912	4,515
1904	2,538	1913	3,467
1905	6,265	1914	1,265
1906	5,642	1915	1,612
1907	3,482	1916	2,910
1908	1,182	1917	2,704
1909	3,350		

DOMESTIC ORDERS FOR CARS FROM 1901 TO DATE

	Freight Cars	Passenger Cars
1901	193,439	2,879
1902	195,248	3,459
1903	108,936	2,310
1904	136,561	2,213
1905	341,315	3,289
1906	310,315	3,402
1907	151,711	1,791
1908	62,669	1,319
1909	189,360	4,514
1910	141,024	3,881
1911	133,117	2,623
1912	234,758	3,642
1913	146,732	3,179
1914	80,264	2,002
1915	109,792	3,101
1916	170,054	2,544
1917	79,367	1,167

The fact that the Russian orders are now out of the way has been received with no small degree of welcome both in the railway and in the supply field, for it means that the American orders will now have a chance. And further than that, railway men are particularly interested because some 200 of the Russian locomotives are being remodeled and may already be seen in front of American freight trains on a number of very busy and badly congested eastern roads. The railway and supply men do not look with favor upon the sinister things that are going on behind the Russian borders, for they know what it is going to mean to their relatives and friends serving with the colors in France, but they do nevertheless believe that it was a mistake to give these Russian locomotives precedence and they do feel relieved to see this condition changed.

U. S. War Orders

The orders for locomotives placed by the United States War Department for service in France constitute one of the high spots in the year's records, and one which has been regarded entirely different from the Russian contracts. The 2,057 locomotives have all been ordered since last July. They included 980 eighty-ton Consolidation freight locomotives for service on the supply lines and a miscellaneous assortment of steam and gasoline locomotives, mostly of narrow gauge, for service near the fighting fronts. The man who placed the orders for these locomotives was Samuel M. Felton, Director-General of the Military Railroads in France and President of the Chicago Great Western. Mr. Felton has it to his honor and credit that he placed the first order for these locomotives and so arranged for their construction that engine No. 1 was completed in 20 working days from the placing of the order, an efficient piece of machinery and a model for a year's future production. No red tape; no delay to wait for standardization—only production and production in large-scale lots. We shall be hearing about the delays resulting from the attempts to standardize the Liberty motor, the Enfield rifle, the ships, the Browning gun, but we doubt if we shall ever hear aught but praise for the ability

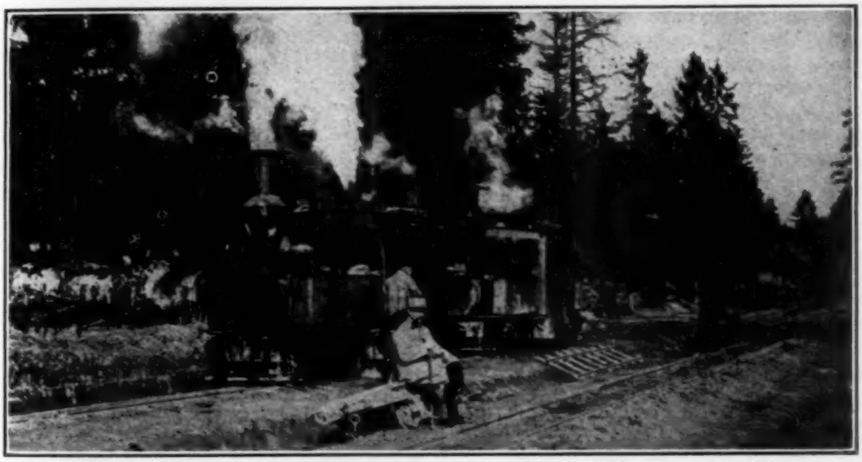
and keenness that Mr. Felton has shown in connection with these orders.

This same standardization right from the start also has helped the railway supply field and the railway men. The American government locomotives have been given priority over all other orders, domestic and foreign alike, but the fact that they were standardized early in the game has helped immensely in their production and, as it were, has kept them out of the way of other orders. Deliveries were reasonably specified, in addition, and that has helped. The Department has been a little too optimistic about the shipping situation, however, and steps are being taken to loan about 100 of the engines to congested eastern roads. Some are already in this temporary service on the Reading, the Pennsylvania, the Lehigh Valley and the Baltimore & Ohio.

The Freight Car Situation

The freight car situation in 1917 was not as good as was the case with locomotives. The number of freight cars ordered in 1917 was 164,058 as compared with 205,368 in 1916. The 1917 total included 79,367 cars ordered for railroads and private car lines in the United States and Canada, 18,844 for the United States government military lines in France, 180 for United States navy yards and stations and 64,667 for export overseas, the last including, however, 30,500 cars for Russia, orders for which have been held in abeyance. The decrease in orders from 1916 is entirely to be found in the domestic totals, the figure of 79,367 for companies in the United States and Canada having been the lowest, with one exception, namely 1908, since the records began in 1901.

There is not much to be said about the freight car situation in 1917, except to note that the high prices have kept the railways out of the market to a remarkable degree. When it is further considered that of the 79,367 cars, no less than 20,924 were ordered for construction in railroad shops instead of in the car building plants, the point is made even more emphatic. The equipment builders during 1917 operated in many cases at from 25 to 50 per cent of capacity, and had it not been for shell contracts and other similar business, conditions would have been bad indeed. The situation now, however, is entirely changed. Prices have eased, the Government has taken over the railroads with a guarantee of earnings, and there is every expectation that a buying movement will be evident within the very near future. Inquiries for 4,000 cars by two important railroads already give indications of a better turn. Concerning the Russian orders and those for the American War Department, there



American Equipment in Action on the Battle Fronts

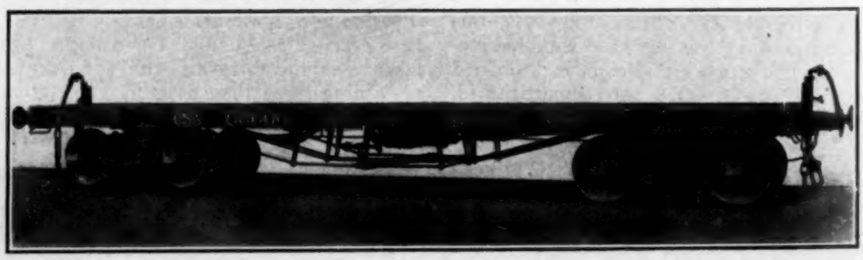
is not much to say. The car building plants with a capacity of 300,000 cars a year have not been at all crowded; there has been no such competition for deliveries as in the cases of locomotives, and the War Department orders have been so spaced, with regard, of course, to the shipping situation, that the car builders' facilities have not been strained.

The Equipment Outlook

What do the coming months hold forth for the equipment industry? For the locomotive companies they hold forth books filled with orders to keep them busy for the entire twelve months of 1918, and prospects, as well, for further orders from the War Department and from the American railroads. For the car builders and car specialty manufacturers, they do not hold forth books full of orders, but they do hold forth the prospects for further orders. The Government's taking over the railroads has been well regarded in the railway supply field and enough has already been said to indicate that business is expected.

The consideration of the labor and material situation has been left towards the last. The labor situation is serious, but it is not as much so as in many other lines of American industry. The material situation has been extremely serious at times during the past year, particularly with the car builders, and the lack of orders has proved a considerable handicap in this respect, a car builder when he did have orders, finding it difficult to keep his organization and an adequate supply of material on hand at the same time. The material situation now has eased considerably in the car market, principally because the shipyards have now begun to be sufficiently supplied so that they have not had to take all the plates out of the market. The Government's taking over the rail roads is confidently expected to help the material situation, because there is no doubt that steel for cars will be given due consideration on that account. The material situation as to locomotives has at no time caused serious difficulty.

A broader look over the future of the equipment industry would bring one to a consideration of the possibilities for export trade in cars and locomotives after the war. The locomotive companies and a number of the car companies are particularly well organized for export trade. The last two years have seen a vast increase in this business since the beginning of the war, both to the allied countries and to neutrals. The trade to the allied countries is sure to continue while the war is on and for several years at least thereafter. France and Belgium before the war were large manufacturers of cars, France for its own railroads and Belgium for itself and for export. England did a large business in both cars and engines both for its own uses and for export to other countries. But it is very evident that neither France nor Belgium will be able to supply even their own needs for equipment of this kind for many years. The United States and England will be called upon to make up the deficiency and the United States and England alone will divide a trade to the other countries of the globe that once was in the hands of all these nations and Germany besides. The prospects, indeed, are good and the experience we will have had in building cars and engines to foreign standards, the educational work we have been doing towards telling our customers about the value of American standards and the products that we are now putting in our future customers' hands, are all going to bear fruit in plenty in years to come.



Important Equipment Securities Analyzed

Baldwin, American Locomotive, American Car & Foundry, Pressed Steel Car, New York Air Brake—Their Positions and Prospects

By ROBERT S. PIERSON

IT'S nearly time for Western Congressmen, from districts "agin the corporations" to begin their diatribes against the fairly favorable proposal of our rapidly progressing president to maintain the credit of the railroads, of the banks, not to mention sundry private investors, and incidentally the Liberty bond buying power of these United States.

However, now that the kindly Interstate Commerce Commission has these several years carefully seen to it that the railroads could not possibly keep their equipment resources up to the necessities of a country still expanding in population and transportation requirements, it seems certain that the Government and not the railroads will have to do the worrying about the shortage in locomotives and freight cars.

Therefore, unless our railroads rapidly tend toward the helpless position of the Russian properties, the railroad equipment companies will have all they can do for a rather indefinite time to come, and with money in the bank and materials carefully headed their way.

It is interesting to consider the remarks of the president of the Pressed Steel Car Company in his last annual statement: "Notwithstanding that during the last year the transportation volume of ore, raw materials and finished products increased over 20 per cent. over maximum years in the past, yet according to reports, there is now less available rolling stock than in previous years and during the last ten years, less than one-half the estimated annual requirements for renewals to equipment have been purchased. Consequently at every freight center and every seaport a great congestion exists."

Then, too, the requirements of our armies in France and of our Allies add to the strain on the demand for rolling stock.

Baldwin Locomotive

It follows that the position of the securities of companies manufacturing railroad equipment are directly in the foreground of vision, and it is not surprising that the common stock of one of these companies, Baldwin, is one of the most active speculative securities on the list.

Baldwin is selling around 55 to 60 as against a high of 154½ in 1915 when its cheeriest enthusiasts were making it out a second Bethlehem Steel. In extenuation of Baldwin's management in going into a business they did not understand, and on a large scale—munitions—the corporation was driven to extreme measures because of the utter lack of regular work at the time. Owing to the later necessity, of the Allies to keep the company at work, and solvent, Baldwin was relieved of contracts which proved disastrous and is actually receiving hard cash in rent for the use of its great plants at Eddystone, which cost nearly three millions of dollars, with the happy prospect of the plants reverting to Baldwin's possession after the present contracts for munitions are completed. It is even possible that the annual report will show a sizeable amount earned on the munition account. One of the contracts for use of the Eddystone plant is on a contingent profit basis.

Baldwin gave its speculative holders a terrific jolt in reporting only a little over 6 per cent. on the common stock for 1916. This figure was largely a matter of bookkeeping. The company did not consider in figuring earnings its Eddystone plant investment, but carried the amount expended, some \$2,864,321 directly to surplus—as of course was logical under the circumstances. Yet earnings, before writing off the cost of the new plants, would figure \$20.42 a share.

It must be said that dividends on Bald-

win common stock seem some ways off if the management keeps a mind to the balance of things. The company has splendid plants and a wonderful business in its own lines. Nothing we know could bring up the working capital to a point where actual cash dividends would seem warranted in the near future.

Especially now that all solvent corporations have to consider the necessity of heavy taxes, payable in cash and not in script or in notes, security purchasers are keeping an eye on the cash position. At the end of 1916 Baldwin had less than seven millions of working capital and of this but $2,144,515 was in cash or in marketable securities. The ratio of working capital to the gross business was only a little more than a third of that in any other of the five years preceding.

Baldwin has shown since its new capitalization in 1911 an average of 9.86 per cent. earned on the common stock. The company has a "hidden equity" in its ownership of the Standard Steel Works with 1916 surplus, accruing to its parent but undivided, amounting to 4.14 per cent. on Baldwin common. On the other hand the book value of Baldwin figured out only at 56 as of the end of 1916, including the book value of the Standard Steel property. But book values hardly ever make prices.

American Locomotive Company

The American Locomotive Company, too, has found out that its business is the manufacture of locomotives. Only after it had put out some 57 different models of automobiles in seven years did it discover that it didn't know that game, and only after having as much as 40 millions of dollars worth of munition business on its books at one time, did it find out that there was more money in its regular line. The company has also made the fortunate discovery that locomotives can be built at some points on the map to better advantage than at others and has been busy disposing of surplus plants such as at Manchester, New Hampshire, for example.

The American's fiscal year is up on June 30, and so we have later information in regard to it than about Baldwin, but the information is meager. One of the cleverest figurers on the street sharpened his pencil to a fine point, used all the figures available and his unusually keen perception, and arrived at the conclusion that apparently the American made nearly 11 per cent. on the $41,000,000 of munition business as in the past fiscal year, and about 12.5 per cent. on approximately the same amount of regular work, but that the profits in munition work fell off so badly that regular business looked preferable.

The fiscal year 1915 showed a deficit of over a million dollars and gross business of but a little over nine and one-quarter millions, but of course none of the equipment companies demonstrated a very large sustained earning power prior to the war. As with other corporations, the following year was the big one with 36.08 per cent. earned on the common stock out of $59,316,016 gross business. The year ended June 30, 1917, gave a net for the common shares of $21.80 out of a gross business of over eighty-two millions, about half of which is supposed to have been in munitions. Even the unknown left the optimists considerable leeway in their hopes. The price reached by American Locomotive common in 1916, 98½, was a long way short of the estimated value of Baldwin, although the American showed better results when the companies were heard from officially.

Since the last quarter of 1916 calendar year Locomotive common has been on a five per cent. dividend basis. There seems to be no special danger to this disbursement. Even including its desperate 1915 figures, the earning power of the common during the past ten years has averaged over 8 per cent. and the company's working capital seems fairly adequate, but by no means excessive. June 30 last it stood at nearly twenty-five millions or over 30 per cent. of the gross sales and the year previous at nearly twenty-one and a quarter millions, or 36.21 per cent. of the total business.

Present labor and material costs, as well as extra taxes must now be considered, so at best American Locomotive common could scarcely be considered as a widow's sole investment. Perhaps as good an estimate as any is that since the end of the fiscal year earnings have been running at about $17 a share on the common after taxes.

American Car & Foundry Company

American Car & Foundry Co. is the old stand-by among the equipment shares. Its 27.37 per cent. earned on the common stock in the fiscal year ended April 30, 1917, looks high but one has to go back nearly ten years, to a previous boom period, to find figures up to these levels, 24 per cent. in 1907 and 22.8 per cent. in 1908. The ten year average is 8.18 per cent. Dividends were kept down to 2 per cent. from 1909 to 1916, enabling a careful strengthening of the company's treasury. The capitalization is rather large, $30,000,000 each of common and preferred stock, but cash on hand at the end of the company's fiscal year 1917 was over $6,000,000 and net working capital was $26,559,182.

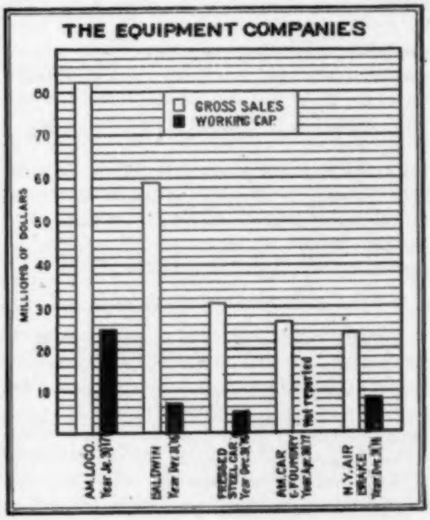
The company keeps on the credit side of its balance sheet a special account "For Dividends on Common Capital Stock, to be paid when and as declared by Board of Directors" $2,400,000, or 8 per cent. on the common issue. To be sure the special reserves for dividends was called upon for $450,000 to make up the 1915 dividends. However, such a special ear-marking of reserves is really only a clever psychological stunt. Nothing tangible is gained by such procedure because profit and loss surplus is itself a reserve for dividends. Bona fide dividends unfortunately have to be paid out of cash, but the American Car & Foundry Co. has kept its cash position strong. The only gain made by the creation of a special dividend reserve account is the easier effect on the public of a call upon such a special reserve than simply upon the regular earned surplus. It sounds nicer, that's all. As is well known, equipment companies have been such exaggerated barometers of business conditions that strong reserves and a sound financial position are decidedly indicated.

The common stock has been selling rather low in comparison with other securities of similar caliber. To be sure it went up almost to par in the wild boom of 1915, but since the stock has sold as low as 52 and at around 70 it looks to be comparatively cheap with good prospects and has been on an 8 per cent. dividend basis since the first of last year.

The company is reticent about giving out information. Perhaps the stock would have ranged higher if its actual status could be determined definitely.

We know that earnings available for both classes of stocks passed $10,000,000 for the April 30 year and that before the figure had been set down, renewals, replacements, repairs and munitions equipment costs were marked against expenses at $7,212,037 as against a similar charge of $1,779,341 the year previous. As a business proposition this heavy allowance in 1917, amounting to 18 per cent. on the common stock, was probably not over-large, considering the uncertainties of the future.

But we don't know much about the amount of war business or profits therefrom. The president stated October 4th, 1916, that the amount was $7,361,000 gross, and that no further munitions business was sought, although "the performances of your company in the production of munitions was not excelled by any other manufacturer in the United States—a fair share of the year's earnings resulted from the conduct of your company's ordinary business."



The former president, Mr. Eaton, is dead and his place has been taken by Mr. William H. Woodin. It is very possible that the company has secured large munition contracts since Mr. Eaton's death. Several "announcements" have been made in

the press, for example in regard to one $25,000,000 contract for shells, etc., but nothing definite at all has been officially issued since the amount of munition contracts was given as being $7,361,000.

The company does not publish the amount of gross sales, the number of cars built, or the amount of operating expenses. The great majority of the stockholders are therefore rank outsiders.

In the days when the management furnished information as to gross earnings, it showed a little less than ten per cent. margin of profits—boom years bring larger profits and lean years meagre profits per dollar of sales—and by correlating available figures as to production of cars, prices of labor, material, etc., with the prices paid by different railroad systems, it seems very probable that the American could have earned about as much out of its regular business as it did out of its combined car and munition output. It would appear, therefore, that considering the great demand for equipment, profits for the current year should be as great as last reported—and I would not be surprised to find them enough larger to take care of at least a large part of the excess profits taxes.

Pressed Steel Car Company

Pressed Steel Car is a small corporation in comparison with its competitors, having but $12,500,000 each of preferred and common stocks, but it gives evidence of good management and has worked up a book value of about $82 a share for the common.

The annual average of the last ten years' earnings has been but a little over 5 per cent., and 1916 showed 15 per cent. for the junior issue of stocks. In 1911, 1912 and 1914 the preferred was taken care of out of current earnings but with a fraction of one per cent. to spare. In 1913 earnings ran up to about 10.50 per cent. and a three per cent. dividend was paid on the common, the first since 1904. In the calendar year 1916, 4¼ per cent. was paid, and since January, 1917, the common has been on a 7 per cent. basis. It is understood that the common issue will be placed on an 8 per cent. dividend basis "as soon as conditions warrant." Such a statement, admittedly unofficial, means little, as most companies would gladly increase their disbursements.

It would seem as though Pressed Steel Car would do well to go slowly about increasing dividends over the one now current. It is only recently prosperous, its depreciation allowance has been none too regular and the corporation could well use more funds as working capital. It has, by the way, an active subsidiary, the Western Steel Car & Foundry Company, which did not contribute to the earnings of the parent corporation because of the necessity of increased working capital.

Pressed Steel Car in 1916 showed gross sales of a little over thirty-one millions, an amount, despite the recent excessive costs of equipment, not as great as the sales of the calendar year 1907. It would seem that Pressed Steel Car had at last report quite a good margin of possible production and it will be up to the Government to see that materials and labor are forthcoming. Pressed Steel Car, moreover, has put out a good deal of money getting prepared to manufacture the smaller car equipment used abroad, expenditures that should prove very wisely laid out.

At around 60 the common stock is down from a high of 88¼ in 1916. In view of the company's cash position—none too strong under present conditions—even the glamour of possible increased dividends does not make the market reflect any special enthusiasm.

New York Air Brake Company

New York Air Brake has been the prize earner under war conditions. For a number of years earnings averaged less than 5 per cent. per annum, 6.55 in 1913 being the largest reported prior to 1914 in nine years. In 1914 earnings were 6.41; in 1915, 13.43; and in 1916, 82.12 per cent.

Dividends have been "various": 8 per cent. in the good old railroad days 1899-1907, none in 1908-9; 3 per cent. in 1910; 4½ per cent. in 1911; 1½ per cent. in 1912; 6 per cent. in the years 1913-15, with 11½ per cent. paid in 1916.

In November, 1916, the company announced 2½ per cent. quarterly dividends for five ensuing quarters and an extra dividend of 12½ per cent. payable in five quarterly installments along with the regular disbursements. This program does not preclude other extras, although the excess profits tax may.

The company has worked up a surplus from nothing at all in 1911 to over $8,000,000 at the end of 1916, increasing its working capital in one jump from its minimum as at the end of 1915, $1,666,796 to $8,790,579 at the end of 1916. As a matter of fact, in earlier years the company didn't need a very large working capital, as its largest gross sales up to the beginning of the war were only $3,186,543 in 1913, jumping from $2,915,932 in 1914 and $4,731,529 in 1915 to $24,051,103, in 1916. The ratio of working capital to gross sales was actually considerably less in its most prosperous reported year than formerly, standing at 27.36 per cent., in 1916, 35.2 per cent. in 1915, 87.7 per cent. in 1914 and 181.9 per cent. in 1911, gross sales amounting to only $1,585,681 in the latter year.

New York Air Brake must be considered a war stock, but the president stated in his 1916 annual report that the company had doubled its regular freight business and had booked orders on hand amounting to five times those of any previous year.

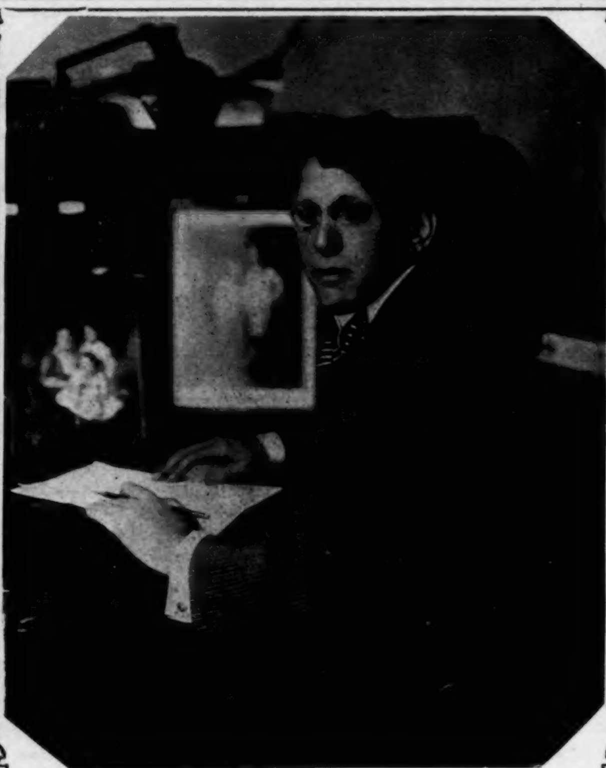
Indications point to as much as $35 per share after payment of taxes. Recent prices of around 120 compare with a high of 186 in 1916 and 155⅞ as late as June, 1917. It seems to be just about in line now with other securities.

Unique Financing

The financing plan evolved by the bankers behind the Doble-Detroit Steam Motors Company has attracted as much attention in banking circles as the car which the company will manufacture has attracted in the automobile world. Perhaps the most interesting feature is the offering of stock, par $10, at $12 per share. There are many instances of stock of long established concerns having been sold at a premium but this is the first instance to the writer's knowledge where the stock of an entirely new company has been offered to the public at above par. Moreover the investor is taken into the confidence of the bankers, for he is told that the company will receive a dollar in cash for every dollar of stock issued. The difference between par and the subscription price represents the cost of financing, commissions, etc. Furthermore, there is no attempt to figure profits ahead. The simple statement is made that the company has in hand sales agreements aggregating $20,000,000, and the investor is left to determine for himself what the future is likely to show on a business of that volume. In effect the banker says to the investor:

"Here is a security which we are offering because we believe that eventually it will be worth much more than its present price. We have told you what the financing of this company will cost and we guarantee to the company a dollar in cash for every par value dollar of stock which we sell. We believe the business will prove very profitable, but just how profitable no man can say, and we prefer, therefore, to let the facts speak for themselves rather than to engage in predictions and prophecies."

It remains to be seen whether the investor will appreciate seeing all the cards on the table or whether he prefers old-style methods which seek rather to ensnare his imagination than appeal to his intelligence.—*Exchange.*



LEADERS IN AMERICAN FINANCE AND BUSINESS

NATHAN L. AMSTER, President, Investors' Protective Association of America; Director Chicago, Rock Island & Pacific Railway.

I consider THE MAGAZINE OF WALL STREET *one of the most useful and serviceable financial publications in the country. It seems to contain all the information an investor needs in deciding upon making investments. It has been very useful to me in my work.*

Nathan L. Amster

No. 15 in the series of successful men who read THE MAGAZINE OF WALL STREET

MONEY--BANKING--BUSINESS

Leading Opinions

About Financial, Investment, Banking and Business Conditions

"Labor Our Great Need"—E. H. Gary

E. H. Gary, chairman of the United States Steel Corporation, declared before the Commercial Club at Chicago that Americans have been "slow, stupid, or at least indifferent" to the dangers which threaten us as the result of our participation in the war.

He declared that the cessation of hostilities, in the minds of the majority, seems to be far distant and that Germany contrary to expectations at the beginning of the war, is now, after three and a half years of conflict, "more virile, more efficient, more determined and more aggressive than she was at the beginning of the war."

Judge Gary in referring to the ability of the country to finance the war, said it has enough money, or its equivalent to cover all requirements. He says we have one-half of the gold and two-fifths of the wealth of all the nations. He stated that plenty of money can be secured by taxation and by the sale of Government securities at reasonable rates, if good and discriminating judgment is used after consulting competent bankers and other business men.

He called attention to the growing scarcity of labor and said that to render the assistance that is asked of us and which seems to be imperative, we must have more and more men, for soldiers and workmen, skilled and unskilled. He added that we cannot produce the quantities and amounts demanded unless the number of men is materially increased, nor unless all who are willing to work are permitted to do so to the extent of their reasonable capability and desire.

Stagnation in Steel Trade

The worst stagnation in the history of the iron and steel trade is on. The paralysis of shipping is given as the principal factor. The probable further change in price schedules is another. Furnaces all over the country are being banked.

The *Iron Age* says: "The first week in the new year has brought blast furnace and steel works' operation to the verge of complete demoralization. Western blizzards have made vastly worse what had been for weeks a serious situation, and embargoes on shipments have made conditions at rolling mills almost hopeless. Scores of blast furnaces have been banked in the Pittsburgh, Youngstown, Wheeling, Cleveland and Chicago districts. Steel work in the same territories have been able to operate at but 50 to 75 per cent. of capacity."

The *Iron Trade Review* says: "Stagnation of shipping is having a paralyzing effect in all directions on the iron and steel industry. The climax of a combination of inadequate

—Philadelphia *Public Ledger*.
COMMANDEERING!

supplies of cars and motive power and of coal and other manufacturing supplies was reached during the last week.

"Conditions are pronounced the worst in the history of the industry. As a result scores of mills and blast furnaces have been forced to close and the loss of production has mounted far into the thousands of tons."

"New Railroad Era"—F. D. Underwood

In an interview published in the New York *Times*, Frederick D. Underwood, president of Erie, stated that the railroads

have entered upon a new era and that their success is assured.

"We are all still a bit dazed, I think," he said; "this new dispensation is so hard to realize. The railroads are like the Bolsheviki. We have suddenly found freedom and don't know what to do with it."

"Freedom? I thought the new deal was to be Government restriction and control," the interviewer said.

"Certainly, but that means freedom for us. Don't you realize that now we are going to do under Government mandate many of the very things that the Government has previously been prosecuting some of us for attempting to do? For twenty years we

—New York *Tribune*.

WHEN A FELLER NEEDS A FRIEND.

have been laboring along with two dominant thoughts, to get the best of each other in the drive for new business and to avoid the Governmental restrictions on combination of interests. Suddenly we find that, instead of avoiding combination, we are to seek it, and that we no longer have to beat anybody except Time and the German devil. What is that but freedom?"

"Doesn't this hold you all down to a limited field of operation?" was asked.

"Not at all. It permits us to eliminate all kinds of unnecessary expense, and to call on the other fellow for help we never dared ask for before.

"Take the service from New York to Buffalo. The passenger lines there will doubtless very shortly be restricted to one or two instead of the present five. The roads which have been maintaining expensive passenger services to uphold prestige will no longer be obliged to do that, and the public will not be permitted to penalize them for dropping out of the race. If people don't like the line the Government chooses as the one for them to patronize, that will make no difference. Meanwhile the roads obliged to drop their passenger service will be able to concentrate on and improve their freight service. So it will be everywhere—concentration, elimination, heightened efficiency, greater earnings."

"Greater earnings?"

"Of course. Every road has some natural strategic strength which is the reason for its being. Often, in order to build that up and keep it going, it has been obliged to spend most of its profits in maintaining expensive side lines or services to be a good competitor with other lines, and that past competition and the fact that no agreement or combine could be reached under the law have kept the earnings down. But now, with all that eliminated, the earnings are bound to mount."

New York must find an immediate solution of the freight congestion problem, not only to retain its own place in the industrial sun, but as a means of preparation for the great trade war which will follow the struggle of arms.

This was the statement of Theodore P. Shonts, president of the Interborough Rapid Transit Company, in testifying before the West Side Improvement Commission at a hearing held in the offices of the Merchants' Association in the Woolworth building.

Mr. Shonts did not spare words in pointing out the city's plight and the urgent need of relief.

"We're fools if we don't do something at once," Mr. Shonts declared "The situation is horrible. Why, the congestion is so great that freight is piled high in receiving warehouses as far back as Buffalo."

Government control of railroads has been a great stride toward relief, Mr. Shonts said, inasmuch as it has eliminated the unrestricted competition between roads which always has proved a handicap.

"This may sound like heresy." Mr. Shonts testified, "but I am of the belief that unrestricted competition breeds economic waste, and economic waste in a country so primarily industrial as ours is a crime."

That the breakdown of the railroads was traceable to governmental restrictions rather than being an indictment of private management was charged by Frank A. Vanderlip, president of the National City Bank, in an address recently at the eighteenth annual banquet of the Rubber

Association of America, Inc., at the Waldorf-Astoria Hotel.

Mr. Vanderlip did not attack Government operation of the railroads, but on the other hand inferentially applauded the move as making for a removal of restrictions which have hampered development of transportation. He ventured the opinion that private ownership of rail lines, at least as it has been in the form of the past, will not return.

Prospects for Motor Industry

Since the advent of the United States into the war, a great deal of unofficial and irrational talk concerning the future of the automobile industry has appeared in the newspapers and magazines, says H. R. Erskine in the *Sun*.

Most automobile manufacturers have already made plans to reduce their output for 1918 anywhere from 20 per cent. to 50 per cent. This curtailment is going to be a healthy thing for the automobile industry, in that it will stop the pyramiding of production that has been going on since the advent of the automobile. It will have the far reaching effects of giving everybody a chance to sober up and take account of the future.

Dealers as well as manufacturers cannot expect to make as much money during the war as they made prior thereto, but the Government is not going to put them out of business.

So far as materials for the continuance of motor car building for retail sale in the United States is concerned, it is interesting to note that of an annual production of 42,000,000 tons of steel the automobile makers of the country use less than 4 per cent.

Sugar Prices Will Drop

The world's sugar bowl, which Mr. Mars kicked over some months ago, has been righted and soon will be filled, according to Earl D. Babst, head of the American Sugar Refining Company, in a statement.

"Sugar will soon be more plentiful," Mr. Babst said. "Everything is favorable to a sufficient supply for our needs, but not enough to use sugar extravagantly or wastefully. There must be no overbuying or hoarding."

"And what about the price?" he was asked.

"After the new supplies are received from Cuba and refined, and prices are lowered under the proposals of the Food Administration sugar will be one of the cheapest, if not the cheapest, foods to go on the American table.

"Great quantities of raw cane sugar are locked up in far-away Java, unavailable because ships cannot be spared to transport it. Hence the European allies are asking Cuba and the United States as a practical patriotic duty to supply them with sugar. The United States is making every effort to comply with this request for the very interesting reason that if we save the Allies from the necessity of transporting 400,000 tons of sugar from Java it will release shipping sufficient to carry about 200,000 American soldiers to France."

"Greatest Financial Problem"—A. J. Hemphill

A. J. Hemphill, chairman of the board of directors of the Guaranty Trust Company, writing in the January number of *The Guaranty News*, says:

—*Financial America.*
SAFETY FIRST.

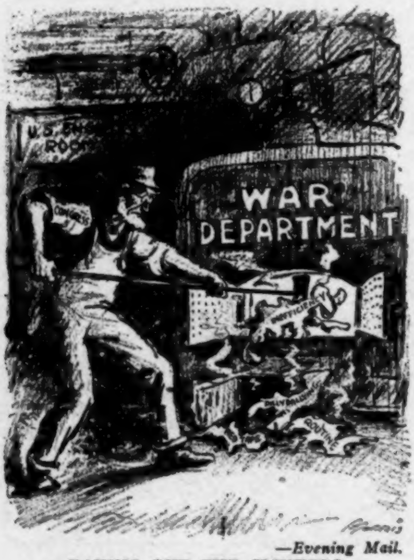
"We are facing the biggest and most important financial problem in our history—that of providing ample funds for the Government, and at the same time supplying the monetary needs of essential private business—we are beginning to understand that world leadership means the blazing of a new trail.

"There are several very good reasons why it is not to be expected that corporations will find it possible to finance their corporate needs during the period of the war in the same manner that they have under normal conditions.

"It is a foregone conclusion, of course, that those corporations engaged in the manufacture of articles necessary to the Gov-

ernment in the prosecution of the war will be provided with some means of obtaining the working capital which they will undoubtedly require from time to time. They will be forced to expand their plants and operations to meet the requirements of the Government and they will also be called upon to speed up production. On the other hand, the Government will fix the profits which they are to be allowed to make on such contracts and will also deduct from any surplus earnings through the operation of recently enacted war taxes.

"The combined effect of these conditions will make capital timid, and it is not to be expected that investment bankers will be particularly enthusiastic about underwriting issues of bonds, notes, or preferred stocks



—*Evening Mail.*

TAKING OUT THE CLINKERS.

with this situation apparent, even if it were otherwise advisable to do so from the standpoint of the government."

"Nation Will Hold Roads"—Com. Anderson

Interstate Commerce Commissioner Geo. W. Anderson predicts Government ownership of the railroads. Mr. Anderson wrote the greater part of the Administration's Railroad Control bill, which is now before Congress. He is the right-hand man of Director-General McAdoo and the spokesman for the latter at the hearings on the bill which are taking place before the House Interstate Commerce Committee.

He said: "There ought not to be even an attempt to re-establish the old status of ownership.

"We have taken over the biggest business in the world. We have added more to Government possessions than when we took over the Philippines or our other annexations. To return this property to its private owners without time to work out legislation deliberately would mean injustice and might mean destruction to many of the weaker roads.

"Suppose that a year's time was set, and that, as the end of the year approached, Congress were deadlocked or in discord with the President. On a certain hour a bill must pass or else the roads must return to their status before the war. That opens a situation for manipulation and speculation which never before has been approached. It carries the threat of chaos.

"There would be given a premium to speculative forces to attempt to elect to Congress extremists of both varieties, so that the public and owners of securities might be kept in fear and trembling and uncertainty while the speculators manipulated their games."

Expert Financial Opinion

National City Bank of New York.—There is a legitimate expansion of industry when the volume of production and trade is increased. There has been an important degree of such an expansion in this country since the war began. But when production reaches its maximum and the supply of the purchasing medium, either in the form of money or credit goes on increasing, the result will be that the new purchasing power must expend itself in driving up prices. This is pure inflation, which places the business of a country on a false basis and almost inevitably ends in disaster.

The disastrous effects would be far more serious at this time than at any previous period of history, on account of the great volume of securities outstanding, largely the obligations of corporations whose income is in greater or less degree regulated by law or custom, so that they cannot readily adjust their charges to the value of money. If issues of paper money should be resorted to, and gold should go to a premium, a new and very grave complication would result from the fact that these securities are usually payable in gold. Corporations which were obliged to buy gold at a premium with which to discharge their obligations would be in a precarious situation, and the whole financial community would be involved.

Hayden, Stone & Co.—From the angle of market valuation, one must not become too enthusiastic. Several months ago, when the question of price fixing first arose, we remarked that the mere act of fixing prices put a limit on speculative possibilities. This has proved to be the case with industrials and it is quite

certain to prove equally true with the railroads. It assures a much needed minimum, but it also imposes a maximum; henceforth, railroad stocks will sell "ex-fear," but also "ex-possibilities." Their price will be in accordance with the return demanded by current money market rates.

We must not forget the experience of the English markets, where similar action has not prevented a decline in price as rates for capital have advanced.

In short, while the action is to be entirely approved, in view of extraordinary conditions, particularly as it will hearten investors, its ultimate effect cannot be at the moment foreseen, and its influence, from a speculative standpoint, on the securities directly involved, will be limited.

Goodbody & Co.—We are of the opinion that stocks and bonds are still being liquidated. They are, however, partly as a result of the Government's guarantee of railroad earnings, being liquidated at a higher level than formerly. Some holders are selling because of fear of the future; some because they can now get out even after holding securities under a great strain; some, to meet, or because of, prospective taxes; and some because of the high cost of living.

The fact that the public is selling is indicated by the fact that brokers are not, as we believe, now borrowing more money of the banks than they were when securities were selling five or ten points lower.

We suspect that both stocks and bonds are now going into strong hands. This does not mean that average prices will advance much in the near future. They may or may not do so. It does mean, however, that, unless European affairs go very differently from what we expect, the undertone of the market will continue good and the next important move is likely to be upward. As 1917 was a bear year, 1918 may be a bull year. This we rather expect, in spite of the present gloomy outlook.

Clarence C. Perpall & Co.—In our opinion prices have now more than discounted any possible benefits which may accrue to the railroads and we advice strongly against buying stocks at the prevailing level of prices. As we see it, there is no change in fundamental conditions as yet, and while the turn may come during the year 1918, we cannot as yet consistently advise our customers that the time has arrived to buy stocks.

We think that during the coming few months there will be large issues of new securities at high interest rates and we cannot see how present securities are going to rise in price with the constant addition to the supply at very attractive prices. It does not make any difference whether it is private corporations or the Government that is doing the borrowing, the net effect upon present security prices is bound to be the same. We therefore still remain of the opinion that sales of stocks on rallies from the present level, will prove profitable

Mechanics & Metals National Bank of New York.—We confess ourselves not a little troubled over one aspect of what is ahead in the United States. We refer particularly to the program of converting American industry from a basis of things non-essential to war, to a basis of things like guns and ammunition. It is right to urge thrift, and it is thoroughly patriotic to suggest a wholesale transfer of the nation's energies away from the satisfaction of personal wants to the satisfaction of the wants of the nation. Never before was the need so imperative to reorganize our business. The nation needs guns and ammunition. It needs labor. It needs coal, looomotives, railroad cars. It needs ships. There is no gainsaying all of this. But at the same time, also, there is no gainsaying that the nation needs business stability. Never before was it so necessary for us to have good business of a general description.

There is a hidden danger that lies in an impulsive and impetuous saving on the part of all the people, as well as in a hasty and ill-considered withdrawal by Government order of raw materials from certain industries called non-essential. The danger is such a disorganization of business as will bring serious suffering in its wake. Business curtailment that means unemployment and closed factories would at this juncture be most unfortunate. Instead of sustaining confidence and courage it would permit discouragement and pessimism to creep into the minds of the people.

Guaranty Trust Co.—The Bureau of Foreign and Domestic Commerce of the Department of Commerce recently disclosed the significant information that in Germany the individual business man, all the local and national associations of business men, and the various Government departments, are even now strenuously occupied with the problems which must be worked out after peace is declared. Among the important features of Germany's systematic organization are commercial education, the promotion of trade by Teutonic settlements in foreign countries, the developments of banking and shipping facilities, and the painstaking cultivation of foreign markets.

The Allies today are studying prospective industrial conditions after the war. There is full recognition of the need for co-operation when peace is arranged. The interdependence of the Allies and their respective industries has never been more manifest. The Allied Governments realize that they must retain supervision of imports and exports. Future commercial relations between the different nations, undoubtedly will be discussed when peace conferences are held, and it is more than probable that the Allies will draw up some broad, general plan to keep inevitable German competition within bounds. To prevent indiscriminate competition, the Allies must conduct their buying on some such lines as they have established during the war.

The Business Situation

Reduced Activity, Owing to Shortages and Congestion

IT will be noted from the table below that bank clearings for December were less than in December, 1916, in spite of the fact that the average of commodity prices, as shown by Bradstreets's Index, was about 30 per cent. higher. There is no exact correspondance between changes in bank clearings and commodity prices, but it is evident that higher prices must require the use of more monev and checks in making payments. So it is a clear deduction from these figures that business was considerably less active in December than it was a year ago.

So far in January there has been a further decline in activity. The trouble is not lack of demand, but the partial breakdown of our industrial machinery through coal shortage, labor shortage, congestion of transportation, readjustments made necessary by the war and so on. We can hardly hope for much improvement before March, but next Spring and Summer will doubtless see a much bigger volume of business moving.

Building operations continue at a low ebb—about half last year, and last year was not especially active. High costs, scarcity of labor and capital are the reasons. General building is one of the "less essential" activities, and is likely to continue small throughout the war.

The ease of call money is largely seasonal, January being normally a month of low money rates. Even the tremendous financial operations of the war have not entirely subverted the normal flow of money back to the great banking centers in the winter months. Time money and commercial paper are only a shade easier, and apparently cannot drop below the 5½ to 6 per cent. level, with present demands.

The increase in U. S. Steel unfilled orders was a surprise. It was partly due to small production and shipments, but not entirely. Heavier Government orders are probably the principal reason. Pig iron production in December was the smallest since September, 1915. Prices not stabilized by the Government still show a tendency to rise.

	Money Rate—Prime Commercial Paper, New York.	Call Money Rate at New York.	Federal Banks.* Total Reserve on Notes and Dep.	Federal Banks.* Gold Res. on F. R. Notes.	Bradstreet's Index of Commodity Prices.	English Index of Commodity Prices.
Jan., 1918	5⅝%	3¾%	62.5%	65.3%	17.96	5,845
Dec., 1917	5¾	5¼	66.0	63.2	17.81	5,678
Nov., 1917	5½	4	65.7	65.9	17.07	5,701
Jan., 1917	3½	2	80.9	103.4	13.72	4,908
" 1916	3⅛	1⅞	....	....	10.91	3,634
" 1915	4	2¼	....	....	9.14	2,800
" 1914	4½	2½	....	....	8.88	2,632

*About middle of month named.

	Total Bank Clearings of U. S. (Millions).	Bank Clearings of U. S. Excluding N. Y. City (Millions).	Balance of Gold Movements —Imports or Exports (Thousands).	Balance of Trade—Imports or Exports (Thousands).	Building Operations, Twenty Cities (Thousands).	Business Failures Total Liabilities (Thousands).
Dec. 1917	26,530	11,917	.....	.....	......	14,740
Nov., 1917	27,227	12,393	Exp. 4,316	Exp. 267,707	24,747	12,314
Dec., 1916	27,194	10,259	Imp. 130,646	Exp. 316,816	44,752*	14,945
" 1915	20,310	7,979	Imp. 33,523	Exp. 187,473	41,891*	23,624
" 1914	12,643	6,114	Imp. 3,978	Exp. 130,976	21,749*	34,822
" 1913	14,701	6,701	Exp. 5,499	Exp. 49,170	29,509*	34,925

*November.

	U. S. Steel Unfilled Orders* (Thousands).	Wholesale Price of Pig Iron.†	Production of Iron (Tons) (Thousands).	Price of Electro. Copper Cents.	Crop Conditions: Winter Wheat.	Crop Conditions: Spring Wheat.	Crop Conditions: Corn.	Crop Conditions: Cotton.
Jan., 1918	....	35.90	.....	23.5	....			
Dec., 1917	9,382	35.90	2,883	23.5	79.3			
Nov., 1917	8,897	35.90	3,206	23.5	....			
Jan., 1917	....	25.90	....	30.0	....			
" 1916	11,547‡	17.90	3,171‡	24.0	85.7‡			
" 1915	7,806‡	12.40	3,203‡	13.6	87.7‡			
" 1914	3,836‡	13.88	1,516‡	14.2	88.3‡			

*Last day of mo. †No. 2 Southern at Cincinnati. ‡December.

RAILWAYS AND INDUSTRIALS

Forecast of Central's 1917 Report

Estimated Operating Results—Including a Special Official Interview

By G. C. SELDEN

FROM 114 a little over a year ago, the price of New York Central fell to 62½ in December, rallied to 73½ on Government operation of the railroads, and at this writing is around 70. It goes without saying that this is still a low price. At the low point the yield on the investment, with 5% dividends, was over 8% and at 70 it is over 7%.

With railroad conditions practically stabilized through Government guaranty of earnings, prices will be more influenced by the supply of investment capital than by operating results. Yet it is not to be forgotten that the President proposes to permit this road to earn more than twice its dividends. Those surplus earnings will doubtless be applied to the upbuilding of the property and equipment and will thus increase the assets behind the stock.

New York Central's earnings show unusually wide fluctuations from year to year. In 1914 only 3.8% was earned for the stock, but two years later in 1916, 18.3% was shown. Therefore, we cannot assume the present good earnings of the company are to be continued indefinitely. There has recently been a very sharp rise in the operating ratio of the road, or per cent of expenses and taxes to gross earnings. From 70% in 1915 and 69% in 1916, this ratio has risen to 76% for 1917 to date, and at the present time it is undoubtedly higher than even that figure. The cause of this change is well known to all investors. Higher wages, higher costs and higher taxes have increased the expenses of the road.

On the other hand, gross earnings have been running at such a very high rate that even after these increased expenses have been met, net earnings are still running at the rate of more than 10% on the stock. This is partly due to the benefit of the supervision of the Government Railroad Board which has enabled all the Eastern railroads to obtain a higher degree of efficiency than before.

But the road has found it impossible to do any considerable financing, and it is essential that new capital be obtained from some source in order to handle the tremendous volume of business which is now moving. Undoubtedly the Government will have to step into the breach.

Forecast of Annual Report for 1917

The company's annual report for the calendar year 1917 will probably not be available before March. It is possible, however, to estimate approximately many of the items of most importance which this report will contain. Hence, this is an opportune time to examine the condition of road. This will be done in connection with the past history of the company for half a dozen years, so as to afford a connected idea of the general position of the stock.

One difficulty in analyzing New York Central is that a new company was created which took over the road at the beginning of the year 1915. The Lake Shore and other sub-companies which had previously been operated separately, were then incorporated into the main company, so that the operating figures for 1915 and later years are not fairly comparable with the same figures for early years, which applied only to the parent company. For example, in 1912 only 6.2% was earned for the stock of the old New York Central, but if the earnings of the other lines now included in the New York Central Company had been included, earnings of 8.9% on the present outstanding stock would have been shown.

The old company increased its capitalization from $178,000,000 of stocks and $268,000,000 of bonds in 1909, to $225,-

000,000 of stocks and $378,000,000 of bonds at the end of 1913. This great increase in capitalization was mostly used for the improvement of the road, including the tremendous expenditure involved in the New Grand Central Terminal, the greatest terminal project ever conceived,

TABLE I. EARNINGS AVAILABLE FOR PRESENT NEW YORK CENTRAL STOCK SINCE 1910.

1910	7.1%	(a)
1911	7.4	(a)
1912	8.9	(a)
1913	7.0	(a)
1914	3.8	(a)
1915	11.1	
1916	18.3	
1st quar. 1917	3.7	(b)
April, 1917	5.4	(b)
May, 1917	9.0	(b)
June, 1917	14.5	(b)
July, 1917	15.5	(b)
August, 1917	11.2	(b)
September, 1917	10.9	(b)
October, 1917	14.2	(b)
1st 10 mos., 1917	10.2	(b)

(a) Combined earnings of constituent companies, applied on *present* N. Y. C. stock outstanding, with necessary allowances for changes in capitalization.
(b) Earned at annual rate of.

which is now nearing successful completion. This terminal is planned to be self-supporting and the greater part of the space occupied is already remunerative. The new terminal has been built for the future, and it will probably meet all the requirements of the road for half a century to come. The successful accomplishment of this plan placed the road in a much stronger position than before.

Comparison of Earnings

In order to get a just comparison of earnings, Table I. has been prepared showing earnings available for the present New York Central stock since 1910. That is, the earnings shown for the years 1910 to 1914, represent approximately what would have been applicable to the present stock if the company had been organized as at present. The table is also brought down to date by showing the annual rate at which earnings were running during the first quarter of 1917 and month by month down to the latest net earnings now available.

It will be noted that earnings have been well in excess of 5% dividend rate every year except the war panic year of 1914. The gain in earnings during 1915 and 1916 was phenomenal, largely because the company's expenditures for improvements in previous years have put it in a position to reap the greatest possible advantage from the heavy gross business of 1915 and 1916. During the first four months of 1917 the company showed a very sharp decline, but during June, July and August, there was a great increase, so that for those three months, earnings were running at the annual rate of almost 14%. In recent months earnings have been well maintained, so that for the first ten months of the year a rate of 10% for 1917 is indicated. We believe this rate may safely be forecast as likely to be shown by the forthcoming annual report.

Table II. covers three very important features of the operating statistics of the road. However, it is to be borne in mind that for the first three years shown in the table, these figures are for the old New York Central, while for the last four years (including 1917 estimated), they are for the new company including a large additional mileage. Therefore, the first three years are not fairly comparable with the remainder of the table.

TABLE II. N. Y. CENTRAL'S TRAIN LOAD, OPERATING RATIO AND MAINTENANCE.

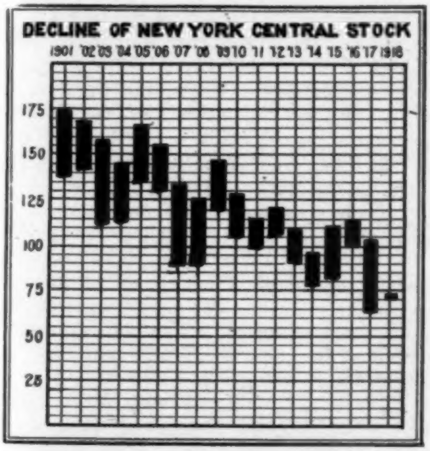
		Train Load (in tons)	% Expenses and Taxes to Gross	% Maintenance to Gross
1911	(a)	430	78%	30.6%
1912	(a)	466	79	32.0
1913	(a)	534	81	33.1
1914	(b)	642	80	32.5
1915	(b)	743	70	29.0
1916	(b)	766	69	27.3
1917	(b)	...	76(c)	29.0(c)

(a) Old Co. (b) New Co. (c) Estimated.

Nevertheless a gratifying growth in the train load is shown, with an increase of 124 tons from 1914 to 1916. There can be little doubt that the 1917 train load will show a further increase.

The operating ratio as given in this table shows the per cent of both expenses and taxes to gross earnings—not expenses alone as this figure is usually given. It is important to include taxes because of the rapid increase in taxation during recent years. We estimate that this per cent for the full year 1917 will be approximately 76, which compares with 69 in 1916. This increase is, of course, chiefly due to higher wages and higher cost of materials. It is a serious factor in the progress of the company but is no worse on New York Central than on other Eastern roads. The logical remedy lies in higher rates. How the Government will handle this question remains to be seen.

These figures show that the road and its equipment have been fairly well maintained. The same per cent of gross has been spent on maintenance as in 1915 and a somewhat larger per cent than in 1916. However, it is to be remembered that the



same amount of money will not now buy as much in materials or do as much to maintain the roads as it would do in 1915. In view of this fact, we are obliged to conclude that maintenance, while fairly satisfactory, is not being kept up to the standard of preceding years.

Table III. shows the company's capitalization per mile, and the per cent of bonds to the total capitalization. In this table the change from the old company to the new does not occur until 1915. The reduction in the total of stock and bonds outstanding in that year has no special significance, because it is due to the inclusion of lines on which the capitalization was at a much lower rate per mile than on the old New York Central.

TABLE III—NEW YORK CENTRAL'S CAPITALIZATION PER MILE

	Stock	Bonds	% Bonds to Total
1911 (a)	$68,999	$92,896	56%
1912 (a)	67,864	105,432	61
1913 (a)	45,526	76,417	63
1914 (a)	45,143	78,450	63
1915 (b)	24,944	68,099	73
1916 (b)	24,877	67,087	73
1917 (b)	.....	.....	74

(a) Old company. (b) New company.

During 1917 there was no increase in the stock outstanding. About $25,000,000 of new bonds and notes were issued. This is a good deal below the natural annual requirements of the company for increased capital, due to the growth of its business. Early in the year the company endeavored to sell stocks but was unable to do so because of unfavorable market conditions. The company's needs for additional capital are fully recognized, and as is well known the Government now has the subject under consideration. What can be done for this and other Eastern roads is a difficult problem under war conditions.

An important factor affecting this company's earnings, and one often overlooked, is the large proportion of bonds in the capitalization. At present this is about 74%, against 56% for the old company in 1911. Since bond interest charges remain the same in dull years and in active, the entire weight of the fluctuation in earnings must fall upon the stock. The effect of this is clearly shown by comparing 1914 and 1916 as follows:

	% Total Income to Total Capitalization	% Earned on Stock
1914	4.6%	3.7%
1916	9.3	18.3

In other words, in 1916 the per cent of income to total capitalization was about double that of 1914, but the per cent earned on the stock in 1916 was five times that of 1914.

So long as this proportion of bonds to stocks continues, New York Central's stock is likely to have very large earnings in good years and small earnings in dull years.

Official Information

The following is a summary of a special official interview recently obtained by this publication:

Estimated earnings, car load, operating ratio, etc., confirm our independent conclusions as above given. Net earnings for November and December show some decline from October, but it is safe to say that 10% or more will be earned for the stock for the full year 1917. There will be a further rise in the operating ratio in 1918 unless a substantial increase in rates is granted.

Cost of materials for maintenance has risen about 50% since 1916 and cost of labor 15% to 25%. The company has appropriated for maintenance more money than it can spend, as the real difficulty is in getting materials and labor at any price. Maintenance is adequate for safety, but rails, ties and road-bed are not quite up to previous standards. Equipment that would ordinarily be scrapped is being kept in service by repairs. For example, steel coal cars rusted out are being lined with wood because new cars cannot be obtained. There must of course be an end to this, but it can be kept up for some time longer. All the frills, such as paint, etc., are falling behind, but no permanent damage is resulting. New cars have been costing the company 14% interest, since it has to pay 7% for the money and double the normal price for cars. Of course the company will not buy new cars under such conditions except as absolutely compelled to in order to handle the business.

The whole plant is being worked at high pressure. For example, train load on P. & L. E. division was 1,700 tons last year.

For 1918 the company should normally have $25,000,000 for current improvements and $20,000,000 for equipment.

Conclusion

We reach the conclusion that there will be nothing in the annual report on New York Central for the year 1917, to account for the very great decline in the price of the stock. Earnings will be approximately double the present dividend rate of 5%. This stock has paid 5% or more every year since 1900. This good record combined with present earnings, would be sufficient under any ordinary conditions to reassure stockholders against the danger of a reduction and the Government plainly contemplates maintenance of the present rate. The train load will show an increase and maintenance has been fairly satisfactory, though not liberal. Earnings have been sufficient to keep the company well supplied with cash, in spite of the impossibility of putting through any large new financing, and while the operating ratio has risen sharply, gross earnings have also risen enough to assure the company of a satisfactory net.

The extraordinary fall in the price of the stock has been due to general investment conditions resulting from the war.

There is no special weakness in New York Central's position compared with other Eastern railroads.

The problem of New York Central, therefore, is the problem of the railroads as a whole. Its future depends upon the questions of scarcity of capital as a result of Government bond issues, the duration of the war, and the attitude of the Government toward the roads.

At 114, New York Central stock was selling too high. With a 5% dividend rate, the yield on the investment was then less than 4½%. The high price was due to optimistic expectations that the rate would be raised to 6% based on the big earnings of 1916. The price then swung to the other extreme. From an investment yield of less than 4½%, the yield rose to over 8%.

A 7% yield, however, does not look especially high under present conditions, since the war demand for capital must apparently keep all investment yields far above normal. If that is the correct view, New York Central at 70 offers no special speculative inducements. As an investment strictly, its yield will have to be compared with what can be obtained on other equally good securities.

A definite prospect of peace would bring new problems, but while the war lasts narrow fluctuations are probable, in this as in other high grade railway stocks.

Right and Wrong Methods of Investment and Speculation

(Continued)

Buying Outright Is No Protection Against Loss

By RICHARD D. WYCKOFF

WHEN Bethlehem B. recently broke from 130 down into the 60s, a well-posted financial writer bought on a scale down. Before the movement had run its course, he found his margin exhausted and was obliged to liquidate.

In discussing the matter with me he said, "I have made up my mind that I am not a speculator and from now on I am going to just buy ouright."

"What difference does it make whether you buy outright or buy on margin? You will be speculating just the same," I replied. "You won't buy bonds or other securities for income only. You will buy the same kind of stocks you have always bought. That means you will be just as much a speculator as you were before, only you will be safe from margin calls, and you will trade in smaller lots."

He was merely expressing two delusions: (1) that the outright purchaser is "safe," and (2) that ownership of a certificate of stock makes one an investor—not a speculator.

Suppose he had bought his Bethlehem Steel outright at 135, 120, 95 and 85, would he have been any better off today? No. His loss would be just as great. *Bear in mind that every point chipped from the quotation for a stock affects your securities, whether you are financing them through your broker, or have them tucked away in your safe deposit box.* When Steel declines from 81 to 80, the value of every one of the five million shares depreciates just that much. There is no getting away from this fact.

The thing to do is to buy right—not necessarily outright.

I know a man who is a good trader. He made a lot of money in the past year, and his losses never ran over one, two or three points, except once when he lost ten points on a hundred shares in the February break, But in his safe deposit box there reposes one stock on which he has a thirty point loss, and another on which there is a thirty-five point loss. The one he bought because it was reported on the verge of paying its initial dividend, and he thought he saw a chance not only to secure a liberal income, but perhaps a 33 per cent. profit on his principal when the stock reached a level which the dividend would justify. After he bought it, it "never stopped going down." The other was a new promotion which he took on within a few points of its record high price, and has lugged along for two years. Both stocks were bought with the speculative possibilities very much in mind, or he would not have bought them at all.

His experience illustrates the point that *paying in full lulls you into a false sense of security.* It leads you to utter to yourself that well-known remark, "Even though it goes against me, it will come back again some day." This is a very bad mental attitude to be in, for thus you become the prey of time, tide and circumstance.

Look back over the market history of some of the railroad stocks. It is not so many years ago that New Haven sold at 255, Rock Island at 207, St. Paul at 199 and the preferred at 218, Great Northern at 348, Northwestern at 271. Surely these examples are sufficient to warn you of the danger of buying stocks outright on the ground that you will be "safe."

A certain New Englander, who in former years made a practice of buying New Haven outright around 180, and selling it above 200, used to claim that he made 10% or 15% per annum on his principal, and over 4% interest; but when the big decline came in New Haven he lost all his interest, profits and most of his principal. As previously stated, it is not what you make, but what you keep, that decides the question whether you are a success in your investment and trading operations.

A real investor is one who buys for in-

come only and the more government and municipal bonds, equipment trusts, guaranteed stocks and other such securities he buys, the more he expresses his desire for income rather than increase in principal. Or he may purchase preferred or even common stocks with a view solely to securing a liberal dividend return.

It is the intent behind the purchase that puts him either in the investment or in the speculative class.

That is to say, he may buy Steel common, paying 5% regular and 12% extra dividends because he believes it will pay a liberal return now and in the future. If he decides to hold it for years—indefinitely—regardless of its price fluctuations, and solely for income, he is an investor.

If he buys at 90 with one eye on the yield and the other on the possibility of selling out at par, he might call himself a semi-investor or a semi-speculator, whichever he prefers.

Tom Lawson has said and written a great many wise and foolish things in his time. Here is one of the best things he ever said: "The financial community is very much in need of a word that spells investment, but means speculation."

The intent behind the purchase being the deciding factor in classifying yourself, your method of financing the purchase does not put you on one side of the fence or the other, so do not hide behind the "paid for in full" plan, whether your object is to delude yourself into a safety that you do not attain, or whether you merely aim to deceive yourself, your friends, your family and your business connections into thinking you are an "investor."

Look yourself in the eye, and if it is true, admit you are speculating, and resolve to be a good and a successful speculator.

You speculate in every other line of business or profession. You buy land, houses, goods, materials, and commodities because you believe they will be worth more, and therefore you will realize a profit. Why shouldn't you do this in stocks and bonds, and if you should, why hide behind some flimsy pretense?

Henry Ward Beecher said:

"I hold that a man who is long-headed, who foresees and judges accurately, has an advantage over his neighbor, and it is not accounted immoral for him to use that advantage, because he is individually better fitted for the business; and it inheres in him by a law of nature, that he has a right to the whole of himself legitimately applied. If one man, or twenty men, looking at the state of the nation here, at the crops, at the possible contingencies and risks of climate, at the conditions of Europe; in other words, taking all the elements that belong to the world, into consideration, are sagacious enough to prophesy the best course of action, I don't see why it is not legitimate."

Buying outright is no protection against loss. In fact, there is no such thing, whether you buy for profit or income. There is not a security in the world that is immune from depreciation, but you can greatly limit and reduce the possibilities of loss on your investments by buying at the right time, and knowing what is best to buy; therefore, that is the kind of protection you should employ.

(To be continued.)

AFRAID OF WALL STREET

A certain man has made several trips to the investment department of a Wall Street brokerage house recently to dispose of Liberty Bonds in small denominations. He explained that he was bringing the bonds in for friends who were "afraid to come."

Pressed for information as to what they were afraid of, he explained it something like this: "Oh, they don't know anything about it and they are afraid to get mixed up in Wall Street."

We are disposed to exonerate persons who have had no experience in the Street from all blame for entertaining a notion that Wall Street is a district wherein danger in some form or other lurks, ready to pounce upon the unwary. It is, however, an amazing example of stupidity that the powers that reign in the financial district have permitted such an impression to become current.

When, as a matter of fact, there is no place where the ethics of business are on a higher plane than in Wall Street, it is a crying shame that a large part of the people believe that the district is made up of sinister influences ready at all times to take an unfair advantage of the ignorant.—*Odd Lot Review.*

Railroad and Industrial Digest

These notes are a record of recent price-affecting FACTORS, and are not to be regarded as RECOMMENDATIONS, to purchase or sell.

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Investment commitments should not be made without further corroboration.—*Editor.*

RAILROADS

BALTIMORE & OHIO—Net Loss $1,049,937 in November—In spite of an increase of $1,018,054 in the gross revenue for November company showed a net loss in operating revenue of $1,049,737, brought about by an increase in operating expenses of $2,067,791. It shows the strain of this road in the situation of high costs for keeping the system at a maximum of capacity, with the greater costs it has to meet in the way of labor and supplies The same relative condition is shown in the report of the company for the 11 months ended November 30. In this period the loss is net aggregated $2,259,861, with an increase in expenses of $13,722,596. These figures bear out the statement of President Willard when he last discussed the dividend policy of the company. He said the company had not earned the 5% for the year, although he gave no intimation of expected action of the directors in regard to this disbursement at the meeting in January.

BOSTON & MAINE — Explanation Sought—Minority Stockholders' Protective Association have sent to Director General McAdoo a message requesting a ruling as to what effec, if any, the fact that the Boston & Maine is in receivership will have upon inclusion of this railroad in the general plan for unification of railroads as a whole.

CANADIAN PACIFIC—Record Gross in 1917—The final return of gross traffic earnings for December indicated that gross for the year would reach approximately $152,245,452 in railway operations alone. This compares with $139,591,819 in 1916 and shows a gain of $12,653,633.

CENTRAL OF CANADA—Receiver Appointed—Upon application by counsel for the City Safe Deposit & Agency Co., Ltd., of London, F. Stuart Williamson had been appointed receiver in a suit taken by the trustees. The appointment was made immediately following a judgment in the Exchequer Court of Canada rejecting the petition of the directors of the railway company for confirmation of a scheme of arrangement between the company and its creditors. Apart from certain subsidiary roads, it was intended that the main line of the railway should run from Montreal to Midland, but only 20 miles have been partially constructed. More than £427,000 bonds have been issued, these being largely held in England and France.

CHIC. GREAT WESTERN—Government Guarantee Unfavorable—Under the plan of compensation proposed to Congress company will earn something less than the 4% dividend to which the preferred is entitled, with nothing left applicable to the common. In the calendar year 1916, the best 12 months the company ever experienced from the traffic standpoint, earnings covered a full allowance for the preferred dividend and equaled 1.27% on the common. In the year ended Dec. 31, 1916, net taxes were $4,292,013, but after that date operating expenses advanced so rapidly that net for the year ended June 30, 1917, fell back to little more than those for the fiscal year Calculation of the road's income under the proposed guarantee follows: Net after taxes, 1917, $3,870,664; 1916, $3,787,048; 1915, $2,889,931; three-year average, $3,515,881, which added to other income, 1916, $1,431,874, makes total income, $4,947,755. Fixed charges, 1916, $3,388,518, deducted leaves surplus, $1,559,237, or 3.6% on the preferred.

CHIC., ROCK ISLAND & PAC.—$6 Earned on Common—Chairman Hayden of the finance committee made the following statement: "Whereas earnings show that not only has the full dividend been earned on the two classes of pfd. stock, but that 11 months actual and one month estimated for 1917 indicates over $6 a share earned on the common stock; that it was the unanimous opinion of the board that stockholders who had in the recent reorganization paid par for this cumulative pfd. stock should receive the dividend which it has earned and which was promised it in the plan of reorganization. While it is too early to figure exactly the earnings for the three years 1915, 1916 and 1917, it is estimated that they have shown approximately $5 a share earned on the common stock, in addition to all interest charges and full dividends on the pfd." On the basis of Government guarantee of net operating income equal to the annual average for the three-year period ended June 30, 1917, Rock Island shows an average surplus after charges of $7,300,000 per annum. Full 7% dividend on the pfd. A stock and full 6% on the pfd. B call for $3,600,000 per annum, leaving $3,700,000 for

the common, or nearly 5% on the $74,359,000 stock outstanding. These are approximately 5.3% on invested capital. The favorable showing for the common is because the system has a relatively low interest-bearing debt. Most of its bonds carry only 4%, while a few subsidiary issues carry as high as 4½% or 5%. Director Amster said: "It should be remembered that the 7% pfd. stock represents $100 in cash per share paid in by stockholders in July as an assessment to protect their common stock. The 6% pfd. stock represents par for par in exchange for the debenture bonds, which were sold a few years ago at 97 and interest; 50,000 shares of the 6% pfd. stock represent $110 in cash per share, which the former directors had to pay in the compromise suit which my committee brought against them in the interests of the stockholders. In the case of the Rock Island, the company not only earned the full dividend on the pfd. shares this year, but approximately 7% on the common stock. It would have been both a breach of faith and dishonest to have deprived the stockholders of the dividends which their shares have earned."

DENVER & RIO GRANDE—Effect of Court Decision—Decision of the Court of Appeals against the Denver & Rio Grande in respect to its guarantee of the Western Pacific first mortgage bonds has raised the question in the minds of investors as to its effect on securities of the former. Western Pacific had attempted to have the claim allowed as a lien in priority to those of obligations created after the date of the guarantee, and as a result considerable uncertainty has been felt as to the position of the various issues. The effect of the decision appears to establish the claim resulting from the guarantee of the bonds as that of an ordinary unsecured debt reduced to judgment, and the lien of all the mortgage bonds, including the 7% adjustment bonds, is superior to the judgment lien. The judgment being prior only to the stock of the company and junior to the lien of the mortgage bonds, the matter becomes one for trading or compromise between the holders of the judgment and the stockholders of Rio Grande. Some sort of a reorganization or capital readjustment must ultimately result in order to provide a new security prior to the present stock, to be given to the owners of the judgement in settlement of their claim.

N. Y. CENTRAL—(See special article)

N. Y., N. H. & H.—Control Favorable for Bonds—Railroad Director McAdoo's announcement that Government would meet all maturing railroad bonds and notes seems to pull New Haven's chestnuts out of the fire. New Haven has maturing, April 15, 1918, an issue of $45,000,000 5% collateral trust notes, which were sold to investors on a 6% basis. The uncertainty regarding the fate of these notes at maturity had been reflected in recent market for the notes, which have been quoted as low as 87 to 88. Subsequent to Director McAdoo's statement, the notes rapidly shot up to 96.

PENNSYLANIA—Tunnels Used for Freight—Director General McAdoo ordered that shipments of coal be given preference over passenger traffic in the use of the Pennsylvania tunnels and terminal facilities in New York, in a final effort to overcome congestion and rush relief to the famine districts. The decision was reached after Mr. McAdoo conferred with the members of his official cabinet and a telegram was sent to President Rea directing him to put the order into effect. Shortly afterward the first freight car that ever passed through the tubes on its way to New York.

PENNSYLVANIA CO.—Dividend Decrease Explained—Owing to misapprehension that has arisen concerning the declaration of a 3% dividend payable Dec. 31, the following statement has been authorized: "The 3% dividend makes a total for the year of 6%, a previous 3% having been paid on June 30 last. The capital stock is owned by the Pennsylvania Railroad Co. The Pennsylvania Co. in 1916 declared dividends totaling 8%. The reduction to 6% for the current year reflects the decreasing net returns from railroad operations, resulting from the higher cost of materials and wages, and increased taxation.

SEABOARD AIR LINE—Interest to Be Paid—The semi-annual instalments of interest on the 5% adjustment mortgage gold bonds amounting to 2½% and represented by coupons 31 and 32 of the bonds, will be paid by Blair & Co. on and after Feb. 1.

SOUTHERN PACIFIC—November Loss Small—Compared with some of the net losses sustained by various railroads reporting for November that shown by Southern Pacific was inconsequential. This company reported an increase in gross of approximately $1,600,000, with a loss in net of about $250,000 as compared with November, 1916. The detailed statement of income and expenses shows that the bulk of the expense increase was in transportation costs, the rise in maintenance having been less than $300,000 with a transportation increase of more than $1,650,000. Southern Pacific at the close of the 11 months showed a gain in net of more than $10,000,000, although the improvement in gross was over $28,600,000. Transportation cost for the period rose approximately $13,400,000 and maintenance a little over $1,000,000. It is evident that expense increases have been general with the railroads throughout the United States, as all reporting companies have indicated a big rise in costs as compared with a year ago. Under ordinary operating conditions it would be expected that a road like the Southern Pacific with a gross gain of $28,600,000 would show an important in net of at least $20,000,000.

ADVANCE-RUMELY — Earnings—Increase 30%—Report for year December 31, 1917, likely will show an encouraging growth in its financial position. Earnings are said to be from 30% to 50% greater than in 1916. In that year Rumely had $283,478, after all charges, available for pfd. stock equivalent to 2.27% on the $12,500,000 outstanding.

AM. CAR & FOUNDRY—(See special article).

AM. ICE—Earnings 6½% for Preferred—Earnings for fiscal year October 31, 1917, will show slightly less than $1,000,000. This means about 6½% for the $15,000,000 pfd. As compared with a net of $750,000, or 5% for the same in the previous year. Despite an indicated increase in net of 40% as compared with the previous year, it would have been possible to have shown net earnings of several hundred thousand dollars better than the $1,000,000 forecast, but the company had been unusually liberal in its chargeoffs. It would not be surprising if the stock went on a 6% basis some time in 1918.

AM. INTERNATIONAL — Increased Earnings—In the 1917 year ended company earned profits considerably larger than those of 1916, when net was equivalent to $4.97. Earnings of the first six months were estimated at $2,000,000 net. There is every reason to believe that the showing of the last half of the year will be better. International also owns a large block of Marine pfd., on which $6 a year is paid. And the $10-a-share back dividend recently declared will add $1,000,000 to profits From its holdings of Pacific Mail it has received substantial returns, and it is the holder of a considerable interest in Industrial Alcohol, on which $32 a share has been paid in dividends since the interest was purchased.

AM. LOCO.—(See special article)

AM. WRITING PAPER—Interest and Sinking Fund Charges—In its fiscal year December 31, 1917, will probably show net $1,800,000; the approximate balance for interest and sinking funds. It is about 50% of the $3,550,878 earned in the 1916 year, but with the exception of the big bulge in 1916 it is the best year the corporation has had. In the 12 months of 1917 the company earned its interest and sinking fund charges substantially twice over.

A. G. W. I. LINES—Cash Position Improved.—Company has in its treasury about $20,000,000. This amount is within $5,000,000 of the par of its collateral trust bonds and its pfd. stock. In terms of the $14,963,400 common, it is equal to $130 a share. Since the property emerged from receivership in 1908 it has improved its position in cash equivalents, by almost $35,000,000.

BALDWIN—(See special article)

BETHLEHEM STEEL—Justice Giegerich, in the Supreme Court has passed upon the application of Bethlehem to compel General Investment to make more specific the complaint in reference to the issuing of $60,000,000 common and pfd. stock. The court granted the motion and directed that complainant should separately state the causes of action affecting the issuance of the common and pfd. stocks.

CONTINENTAL CAN—Capital Increase—At a special meeting stockholders approved the plan to increase the capital stock from $10,000,000 to $15,000,000, and ratified the resolution passed by the directors providing for a 35% stock dividend. The dividend is payable February 21 to stock of record February 8.

CORN PRODUCTS—No Dividends on Common—There will be no dividends on the common until after the suit is settled by the Supreme Court; the postponing of the anti-trust cases does not change the status of the company; the earnings for the year ended December 31, 1917, which will be published in mid-February, will show net after taxes of about $10,000,000, which compares with $6,000,000 in the 1916 period. The company could inaugurate dividends on the common, by having counsel appear before Judge Hand in the Federal Court and obtaining an order permitting it to distribute some of the profits, but from present indications this will not be done.

CUBA CANE—Earning $7.63 a Share—Balance sheet as of September 30, 1917, shows a profit and loss surplus of $13,666,525, compared with $9,851,507 September 30, 1916. Surplus after pfd. dividends of $3,815,017 was equal to $7.63 a share earned on 500,000 shares of common. In the period, December 1, 1915, to September 30, 1916, the balance available for the common was $19.10 a share. Undoubtedly the revolution in Cuba last year made severe inroads into earnings, but for the most part it will probably be found that the increase in the cost of labor to better than 100 per cent. above normal accounted largely for the decrease in earnings, although the cost of materials also advanced proportionately in the last fiscal year. "Next year, however, the company proposes to produce 4,000,000 bags of sugar, against 3,250,000 estimated in the late year. With the elimination of extraordinary factors, like internal political conditions in Cuba, it is possible that an improvement in earnings for 1918 may eventuate."

EMERSON PHONO.—Excellent Progress—Recently there has been a very considerable improvement in business of Company. Orders coming in are greatest in its history. On January 15 Emerson disc records, formerly 25c., were advanced to 35c. retail, thus affording a much larger profit for retailer, jobber and company. Shipments have commenced of its new 65c. records, selling in competition with Victor and Columbia companies. Demand comes very largely from dealers having the agency for Sonora, Brunswick, and the other three hundred independent phonograph manufacturers, who

see in the Emerson 65c. record an opportunity to reap some of the benefit of this most profitable end of the business. Company has, by more economical methods in manufacturing and selling, succeeded in reducing expenses, within the last few months, to an amount equal to 12% on its capital stock. This saving, added to the increased profits derived from a larger volume of business, higher selling prices on the smaller record, and the addition of the larger 65c. record, is having a very marked effect on earnings.

GENERAL ELECTRIC—Capital $125,000,000—Filed notice at Albany, N. Y., of an increase in capital stock from $105,000,000 to $125,000,000. Announcement was made that stockholders of record January 14 would have the right to subscribe at par for one new share of new stock for each ten shares then held. The right expires February 15. Payment must be made one-half on February 15 and one-half on April 17, or full payment may be made on or before February 15.

GENERAL MOTORS—No Merger With Chevrolet—There is no immediate intention to merge General Motors and Chevrolet. These concerns are under a single control and management. W. C. Durant is Pres. of both companies. Plants working on Government orders for shells, trucks and Liberty motors, and it is estimated that in 1918 this war business will amount to $60,000,000. In the four months ended November 30, 1917, earned undivided profits of $12,900,000, compared with $8,993,633 in the same period of 1916, an increase of $3,906,367, or 43.4%. This figure, after allowing for proportionate pfd. dividends, but before taxes, amounts to 15.1% on the common stock outstanding for the four months' period. Taxes are estimated at a maximum of $8,000,000 which for the four months' period would work out about 3% on the common. On this basis the Company in four months, after proportionate taxes and pfd. dividend requirements earned a surplus of 12.1% on the common.

MAXWELL—War Orders—Company, which in 1917 started on its war work, will develop that phase of its operations to an increasing degree in 1918. The truck department has been working to capacity and output has been exceeding 1,000 per month. This low-priced Maxwell truck, which was put on the market only in the spring of 1917, has enjoyed an exceptional demand. Production has never caught up with orders. In the first two months of the current fiscal year, which began August 1, 1917, Maxwell earned its full year's dividend on the $13,915,142 7% 1st pfd. stock.

N. Y. AIR BRAKE—(See special article)

PRESSED STEEL CAR—(See special article)

RAILWAY STEEL-SPRING—Prosperous Year—That the company is in a prosperous condition is evident from the fact that it called for payment on January 1 its Latrobe plant first mortgage 5% bonds, $2,994,000. These do not mature until January 1, 1917. They will be redeemed at 105. Redemption cuts down bonded debt to $3,000,000 of 5% first mortgage bonds secured by company's Inter-Ocean plant. Company has paid approximately $5,000,000 of its funded indebtedness out of earnings. On January 1, 1917, working capital was about $45 a share on the $13,500,000 of common stock and a substantial increase is looked for in the annual report for 1917.

SEARS, ROEBUCK—Sales Doubled—In the 12 months to December 31, 1917, sales reached the new high record of $178,268,223, an increase of $31,429,716, or 21.4%, over the previus high record in 1916. Since 1912 sales more than doubled. Company will show net for 1917 of between $18,000,000 and $19,000,000 before war taxes. This means $22 to $23 a share on the now $75,000,000 common, against 26.5% on $60,000,000 common during the 1916 year.

STUDEBAKER—War Orders $13,000,000—Has orders on books for $13,000,000 of Government war work. In 1918 between 40% and 50% of facilities will be devoted to war work. Report of condition December 31, 1917, will show a floating debt of $7,500,000 This compares with bank loans of $13,231,520 July 1, 1917, and $4,000,000 December 31, 1916. Excess of current assets over current liabilities, which include bank loans, amount to about $23,000,000.

U. S. INDUSTRIAL ALCOHOL—Earnings, 1917, $78—Estimated earnings for 1917 amount to $10,000,000 after taxes and depreciation, or $78 a share after dividends on preferred. The floating debt $7,773,921 has been paid. The report for 1917 will show substantial working capital and surplus capital and surplus nearly twice as large as common stock outstanding.

U. S. STEEL—Subscription Price for Employees—Directors will meet on the last Tuesday of January to act on dividends. It is estimated that earnings for the fourth quarter will be smaller than in the third quarter, due to increasing cost of production and poor railroad facilities. It is estimated that Steel is furnishing the Government with something like 75% of its entire steel needs. It is spending $100,000,000 annually for new construction largely for plants which will turn out war material. Steel Corp. is turning out more steel than all the steel plants of Germany combined.

WOOLWORTH—Record Sales 1917—For the 12 months ended December 31, 1917, sales were $98,091,999, compared with $87,081,809 for 1916, a gain of $11,010,190, or 12.64%. Of the total for 1917 the old stores gained $6,255,010, or 56.86%.

Railroad and Industrial Inquiries

A Good Switch

S. O. B., Wellesley, Mass.—Everett Heaney has been depressed recently in sympathy with the general decline in security values. The stock is now relatively less attractive than some other issues, for example Willys-Overland which stock was discussed in the December 8 issue of The Magazine. We advise a switch from your Everett Heaney into Willys-Overland, but suggest that you wait for special weakness in the latter stock before purchasing.

Beth. Steel's Position as a Peace Stock

S. R. S., Holden, Okla.—Bethlehem Steel B does not, in our judgment, possess the qualifications you desire, for we doubt whether the price of the stock has fully discounted the aftermath of peace, that is to say, the effects of curtailed demand, smaller margin of profit, restricted output and other unfavorable influences likely to accompany a period of depression in the steel industry following the close of the war. Bethlehem Steel's common capital has been increased out of proportion to the normal increase and earning power, and unless abnormal earnings of the present era of prosperity are maintained for a much longer time, the present price of the stock will not be justified from the investor's standpoint.

Two Industrials with Attractive Possibilities

B. N. F., Scranton, Pa.—American Car & Foundry paying 4% regular and 4% extra, strong financially and booked well ahead on orders of equipment buying both here and abroad is in line to benefit with peace. We do not advise a purchase at the moment, but believe it might be watched with view to picking up on weak spots.

Willys-Overland paying $3 a share dividend, strong financial position, booked with large Government orders,—should benefit by peace. The dividend may be cut to $2 or $1, but the stock has pretty well discounted such action. We regard it as excellent to accumulate on weak spots.

Southern Ry.'s Dividend Outlook

J. J. C., Knoxwood, Ala.—Dividends on Southern Railway common are not imminent but there is a possibility that they will be declared in a year or two. The probabilities in this connection will depend very largely on the final ruling of Congress regarding dividend payments by railroads whose earnings are guaranteed under Government control. We believe Southern Railway will eventually sell much above its current level, but we hardly advise a purchase of the stock at the moment. It will certainly bear watching, however, with a view to buying if there is distinctly favorable ruling on the matter of dividends.

U. S. Rubber's Dividend Outlook and Market Position

N. A., New York City, N. Y.—U. S. Rubber is speculative. The new financing last year increased the capitalization materially, and owing to the fact that the company was liberally capitalized before, these added charges cannot be looked upon with favor from the stockholder's point of view. The company is undoubtedly showing large earnings, but production costs and costs for material and labor are rising. For the year ending December 31, 1917, it is estimated that the earnings will total a minimum net for the full year of $15,000,000 (after allowing $1,000,000 for special war tax and bond interest). Preferred dividends for the year absorb $4,800,000, which will leave about $10,200,000 for the $36,000,000 common stock or about $29 a share. These compare with $15.12 a share in 1916 (an increase of 100%), and compare with average earnings of around $10 a share between 1913 and 1915; and of a trifle over $4 between 1908 and 1912. The bond provisions are such as to put obstacles in the way of paying dividends, even if earnings justify it. Technically the stock is not in a strong market position and we suggest that you dispose of it with the idea of replacing your purchase at a lower price.

M. K. & T. and the Market

S. J. H., Philadelphia, Pa.—Mo. Kansas & Texas will require a great deal of new money to accomplish a satisfactory rehabilitation of the road. Stockholders will no doubt be called upon for a heavy assessment and we do not believe the stock is worth holding in view of this outlook. Particularly is this so when there are now opportunities to invest money where it will show large returns in securities of tested merit.

While we believe that the recent rise in the market represents a combination of favorable events which has brought in some buying, most of the demands appearing to come from the short interest. We believe it offers a good opportunity to get out of railroad stocks and other commitments which can be sold at a profit or a small loss. Stop orders should be placed on speculative securities which are not sold, as indications favor a further decline after this rally has run its course.

C. & O. and Growth of the Port of Norfolk

B. J. L., Florence, S. C.—Chesapeake & Ohio, paying 4%, has a guaranteed earning power under Government control of around 10%. We consider Chesapeake one of the most attractive of the railroad stocks, the road is a growing one, and the port of Nor-

folk, under influence of war business, is growing rapidly. This port will, under Government ownership, no doubt be developed as one of the greatest in the country Undoubtedly stockholders of roads serving this port will benefit substantially in the long run. We recommend that you hold your stocks.

Changed Aspect of New Haven

H. J. A., Springfield, Mass.—In view of the fact that you purchased your railroad stocks at so considerably above present market quotations, and in view of the fact that for the duration of the war, the security of these railroads will be fortified by the Government's guarantee of earnings and they will be allowed to carry on normal operations, we hesitate to advise you to sell. Perhaps the best course for you to pursue would be to wait at least for further developments. We must say, however, that in holding New Haven & Hartford, you should not be encouraged to hope that the stock will approach anything like the price you paid for it, for a long time to come. However, during the period that the Government exercises control over operations, it is not unreasonable to suppose that New Haven's position will be materially strengthened, and that it will be in condition to pull out of its difficulties after the war.

Effect Government Control on Boston & Maine

N. E. K., Akron, Ohio.—The situation in Boston & Maine has been greatly improved by the Government's attitude on the guarantees of earnings, and we believe that under the circumstances, holders of stocks and bonds should keep them and await further developments. We do not, however, advise fresh commitments in Boston & Maine securities now.

When American Loco. Can Be Bought Advantageously

S. O., Kansas City, Mo.—Your summary of the American Locomotive situation is a very good one. Of course, the stock has had a very sharp advance, this rise having been based undoubtedly on the recognition of the strong position of the company. After such an important rise, however, it would not be a good policy, in view of the general outlook for lower prices, to buy this stock now; rather wait for a reaction and fresh developments. We may say, however, that we regard American Locomotive well worth watching with a view to buying on special weakness, or when the trend of the market turns definitely upward again.

Kresge in Position to Accumulate

O. D., Dome, Alaska.—Kresge is fundamentally sound and as a matter of fact one of the strongest of the chain store companies. Although the general trend of prices in the stock market is still downward, we believe that Kresge is a desirable stock to begin to accumulate. Buy say 25% of the amount expected to be finally purchased, for a start, 25% on a further decline if the opportunity is afforded and the balance when market conditions become more definitely favorable. Kresge is a peace stock.

Midvale Steel's Peace Status

H. B., Cedar Rapids, Ia.—Midvale Steel, while possessing attractive features, is a company which is peculiarly in an unfavorable position to maintain earnings such as would justify the continuance of the present dividend payments in normal times. Midvale is a product of boom times, and we regard the company as very largely overcapitalized; that is to say, its capital is out of proportion to the probable earning power under normal conditions. Of course Midvale is likely to continue to earn a very good margin over present dividend payments as long as the war continues and the resultant exceptional demand for steel products keeps up. You may, therefore, be afforded the opportunity in the near future of getting out of it somewhat higher, and we suggest that you watch the market with this in view. In the meantime, however, you should protect the commitment with a stop-order of say three points, so that you will be insured against an undue further loss if the market suddenly turns downward again.

If you sell Midvale Steel, await your opportunity to buy something else at a favorable time, being guided as to the arrival of such a time by reading The Outlook columns of The Magazine.

Book Values and U. S. Steel

A. H. W., Boston, Mass.—United States Steel's book value is figured variously as from $100 to $150 a share, but book value is a very theoretical proposition and should not be given too much weight in judging the price of a stock, especially a stock like U. S. Steel. Of course the values of property, assets and earning power of the corporation have been at high tide in this period of very abnormal times. With an era of depressed conditions for the industry, such as is bound to be seen sooner or later, the earning power will shrink tremendously and the book value in the cases of many plants may be out of line with the marketable value of such plants. As a matter of fact, unproductive plants or equipment may become a liability rather than an asset to a corporation in hard times.

We do not consider U. S. Steel a desirable stock to buy and hold for investment at this time. A fair appraisal of its investment value would be from $75 to $85 a share. In this connection we recommend that you read the article by G. C. Selden in the November 10 issue of The Magazine of Wall Street.

BONDS AND INVESTMENTS

Increasing Your Bond Yields

The Present Situation—Many Opportunities Offered Those Who Disregard Fluctuations—Advantageous Exchanges of One Bond for Another

By F. M. VAN WICKLEN

"WHAT has the future in store for my railroad bond holdings? I have seen them go lower and lower until my confidence in them as investments is severely shaken and I can no longer rely on my judgment of railroad bond values. Are the railroads in general headed for bankruptcy and shall I lose most if not all of even what is now left of my investments in railroad bonds if I do not sell at once?"

This summarizes the queries of scores of holders of railroad bonds up to the time of the President's recommendation that the government assume control of the railroads for the duration of the war.

In view of the plight of a great many of our railroads, due to well-known causes, long accumulating, namely, rising costs of labor and materials, inadequate rates and the difficulties of raising new capital, even at exorbitant rates, to provide for the ever increasing business, and for refinancing maturing obligations, it has been difficult to reassure timid investors.

It has been widely and firmly believed among railroad security holders that the railroads have not been getting a square deal. A very considerable number believe that the Interstate Commerce Commission is the avowed enemy of the railroads, that its attitude is unreasonable, destructive and narrow-minded, that it seems to think its mission is to hamper and throttle the roads wherever possible. Any hope of relief for the railroads from this body had been abandoned, and the outlook for railroad securities was decidedly gloomy.

Wilson to the Rescue

The President now comes to the rescue with a constructive program, virtually guaranteeing to bondholders of railroads during the course of the war at least, that their interest-bearing investments will be safeguarded. This act of the President should stop the panic among railroad security holders and be the means of stabilizing bond values more or less during the period of the war at least.

What will happen after that time is problematical. It is hoped and believed by many that by then the Federal authorities, through a more intimate knowledge of the situation, will appreciate more fully the problem of the railroads and give them the help they need. If this is so, then the outlook for the bondholders over a long period is very encouraging. Recent developments indicate therefore that it is time for discouraged railroad bondholders in general to take heart again.

Granted that interest payments on railroad bonds are now practically guaranteed during the period of the war, this does not mean necessarily that these bonds will immediately or in the near future regain the high levels reached a year ago. Elements other than intrinsic values enter the situation, a chief one being the rates that will rule for capital funds during and after the war. A year ago Union Pacific first mortgage fours sold at 100, a 4 per cent. basis. Today they are selling at 88½, a 4¾ per cent basis, or 11½ points decline in a year. These bonds are just as prime an investment today as they were a year ago, yet no one would buy them today at 100 when United States Liberty Loan fours may be obtained below 100. The terms, therefore, on which the United States can raise funds on its own security will be an important factor in determining the future course of bond prices.

How many additional issues of Liberty

Loan bonds will be forthcoming probably no one can say with certainty, yet it is not inconceivable,. in view of what other belligerent countries have done, that should the war be unusually prolonged, future issues may bear interest rates as high as 5½ per cent. No matter how well secured a railroad bond may be, it cannot compete with United States Government bonds. There are those who believe that bond prices have already discounted the likelihood of higher rates for future issues of Liberty bonds. Funds ordinarily available for investment in railroad bonds are being diverted and will continue to be diverted to United States Government issues, especially as the income return on these issues grows more attractive.

TABLE I—NEW YORK "LEGALS"

Chicago, Burlington & Quincy General Mortgage 3½s, due 1949, on a 5.20% basis.
Southern Pacific Refunding Mortgage 4s, due 1955, on a 5.25% basis.
Chicago, Milwaukee & St. Paul General Mortgage 4s, due 1989, on a 5.25% basis.
Minneapolis, St. Paul & Sault Ste. Marie Consolidated Mortgage 4s, due 1938, on a 5.30% basis.

Unparalleled Opportunities

Notwithstanding current conditions, however, any one who believes in the future greatness of the United States must admit that never before has there been such apparent opportunities for the careful investor to purchase for investment, sound railroad bonds yielding high returns. These bonds may sell at lower prices and they may not regain their former high figures for a long period. The investor, however, who buys for income and safety is not primarily interested in this factor.

An interesting point in connection with the taking over of the railroads by the government is the treatment of maturing obligations. Although it has been stated that those maturing during 1918 will be taken care of, conditions might easily arise whereby the government might elect to postpone such payments when due. There is this possibility to be considered by those who hope to reap abnormally large profits by buying very short term securities selling at a considerable discount from par.

The foregoing is intended to dispel any over-sanguine hopes of those who think that railroad bonds are on the eve of a substantial advance, although definite signs of peace in the near future would probably bring this about. The true investor, however, considers this possibility a secondary matter. He buys bonds when he thinks they are cheap, and judging by available standards they are cheap enough now to fulfill his requirements.

Conservative Investment

Investors who restrict their purchases to securities that are legal for trustees and savings banks under the laws of New York State may now obtain several attractive bargains, especially those in Table I.

Included among the legal bonds are two issues, the Baltimore & Ohio Convertible Mortgage 4½'s, due 1933, obtainable close to a 7 per cent. basis, and the Chicago, Milwaukee & St. Paul Convertible Mortgage 4½'s, due 1932, obtainable on a 7½ per cent. basis. They are reasonably safe enough for any one, although they do not quite measure up to the legal standard. There is a difference of about four points between these issues in favor of the St. Paul bonds which are therefore so much more attractive than the Baltimore & Ohio bonds.

TABLE II—ATTRACTIVE HIGH-GRADE BONDS

Chicago, Burlington & Quincy Joint Collateral Trust 4s, due 1921, to yield 6%
Union Pacific Convertible 4s, due 1927, to yield 6%.
Missouri Pacific First and Refunding Mortgage 5s, due 1923, to yield 7%.
Lake Shore & Michigan Southern Debenture Mortgage 4s, due 1928, to yield 6%.
Oregon Short Line Refunding 4s, due 1929, to yield 6.15%.
Southern Pacific Convertible 4s, due 1929, to yield 7.05%.
Erie General Mortgage 4s, due 1996, to yield 7.75%.
New York Central Convertible 6s, due 1935, to yield 6.65%.
St. Louis-San Francisco Prior Lien Mortgage 4s, due 1950, to yield 7½%.
Chesapeake & Ohio Convertible 5s, due 1946, to yield 6¾%.
Atlantic Coast Line, L. & N. Collateral 4s, due 1952, to yield 6%.

There is a wealth of bargains among the

issues which do not comply with the legal requirements for trustee investments in New York State, some of them being regarded as more attractive investments than many that are so legal. A partial list of these is given in Table II. All are listed on the New York Stock Exchange and have broad markets.

To meet the requirements of the investor who wants perhaps a little better security than he thinks is afforded by the bonds mentioned just above, and who is satisfied with a slightly lower income return, those in Table III are suggested.

Bond "Switches"

There are many opportunities that suggest themselves to holders of railroad bonds whereby they may advantageously exchange their bonds for others without changing the character of their investments. Some of these are as follows:

Sell New York Central Refunding & Improvement Mortgage 4½s, due 2013, at 88, a 5.55 per cent. basis, and buy Chicago, Milwaukee & St. Paul General & Refunding Mortgage 4½s, due 2014, at 67, a 6.80 per cent. basis, or Chicago, Milwaukee & St. Paul Convertible Mortgage 4½s, due 1932, at 74, a 7½ per cent. basis.

Sell Lake Shore & Michigan Southern First Mortgage 3½s, due 1997, at 74, a 4.80 per cent. basis, and buy Chicago, Burlington & Quincy, Illinois Division 3½s, due 1949, at 74, a 5.20 per cent. basis, or New York Central First Mortgage 3½s, due 1997, at 72½, a 4.90 per cent. basis.

Sell Atlantic Coast Line Consolidated Mortgage 4s, due 1952, at 72, a 5.10 per cent. basis or Chicago, Burlington & Quincy General Mortgage 4s, due 1958, at 83¼, a 4.95 per cent. basis, and buy Southern Pacific Refunding Mortgage 4s, due 1955, at 79½, a 5¼ per cent. basis.

Sell St. Louis, Iron Mountain & Southern General Consolidated Mortgage 5s, due 1931, at 91, a 6 per cent. basis, and buy Missouri Pacific First & Refunding Mortgage 5s, due 1923, at 91, a 7 per cent. basis.

TABLE III—STRONGLY SECURED BONDS

Central Pacific First and Refunding Mortgage 4s, due 1949, to yield 5.40%.
Chicago, Rock Island & Pacific General Mortgage 4s, due 1988, to yield 5.40%.
Oregon & California First Mortgage 5s, due 1927, to yield 5.55%.
Oregon R. R. & Navigation Consolidated Mortgage 4s, due 1946, to yield 5.35%.
Atlanta & Charlotte Air Line First Mortgage 5s, due 1944, to yield 5.60%.
Wabash First Mortgage 5s, due 1939, to yield 5.50%.
Southern Railway Consolidated Mortgage 5s, due 1994, to yield 5.40%.
Colorado & Southern First Mortgage 4s, due 1929, to yield 5.90%.

Sell Northern Pacific Prior Lien Mortgage 4s, due 1997, at 84, a 4.80 per cent. basis, and buy Chicago & Northwestern General Mortgage 4s, due 1987, at 82, a 4.90 per cent. basis.

There are many other opportunities similar to the above mentioned that are offered by the present market.

STOCK SALE AT 91,900 PER CENT PREMIUM

A few days ago the £1 founders' shares of the Bengal Iron and Steel Company changed hands in the London Stock Exchange at £920. This is a premium of 91,900 per cent., and probably has no parallel in joint stock company history. The founders' shares have as yet received no dividend, and a few years ago their prospects of receiving a return seemed exceedingly remote, but fortune has recently smiled on the undertaking.

The founders' shares are only 150 in number, but they are entitled to one-third of the net earnings after the payment of a cumulative dividend of 10 per cent. on the ordinary shares.

The concern was formed in 1889, and has had a very erratic financial career. At one time its preference dividend fell behind, while even in the relatively prosperous years much less than 10 per cent. was often provided on the ordinary shares. But rapid strides are now being made, and the time should be approaching when the cumulative payment of 10 per cent. over the entire existence of the company will have been met.

At £920 each the founders' shares have a market value of £135,000, and it is possible that in due course a scheme may be propounded for buying out the interests of the holders by giving them shares not entitled to these special rights. Founders' shares were at one time a very popular form of capital, but they constitute an unsound type of finance, as their existence stands in the way of the prudent handling of profits.—*London Economist.*

The "A-B-C" of Liberty Bonds

Fundamental Facts Which Each Investor Should Know—Taking Care of Your Bonds—Interest Collection—Borrowing Money

By ARTHUR N. SLOCUM

THOUSANDS of investors own Liberty Bonds and thousands own Liberty Bonds who have never before been investors. Both classes should be acquainted with the primary facts and it is the purpose of the writer to present such elementary facts in an understandable manner.

What Is a Liberty Bond?

A Liberty Bond is an evidence of an obligation of our Government to pay back at a specified time money which is loaned to the Government by you. The Government agrees to pay interest to the lender every six months at a specified rate and to return the entire principal at a given time. The lender not only is credited with patriotic motives, but makes the most conservative investment ever known.

What Kinds of Bonds Now Exist?

1. The first loan offered the lender 3½ per cent., and the face value of the bonds is due June 15, 1947. These bonds are exempt from all taxation except the inheritance tax, which is collected from the owner's estate. They may be exchanged for other bonds bearing the same or a higher rate of interest of any future issue which may be sold during the war.

These bonds have the best conditions for the wealthy man who pays a large tax and they have the best conversion privilege, for they may be converted into *any* future issue. The interest is payable on June 15 and December 15 of each year.

There are both registered and coupon forms, but it is not advisable for the small holder to register these bonds; for, though greater protection is gained against loss, this factor is offset by the red tape and intricate detail—also delay—in releasing them for sale or future conversion. Special government forms are necessary, the affidavits of National Bank officers, and other inconvenient guarantees. If desired, the face value can be paid in 1932, a matter which is at the option of our Government.

2. The second loan was issued by the Government at 4 per cent. These bonds were issued in November, 1917, and the Government promises to pay the face value in 1942, with the option of paying them in 1927, if so desired by the Government. The interest is paid every six months on May 15 and November 15, at 4 per cent., or 2 per cent. each period.

These bonds are exempt from all taxes also, except the inheritance tax, as in the case of the first issue, and except the income surtaxes, excess profits and war profits tax. Any individual owning $5,000 or less of these bonds can exempt the income from this amount from the surtax. But all those who pay a surtax on their incomes will have to include income from these bonds over that accruing from $5,000 or more.

For the very rich man and wealthy corporations these bonds are not as profitable for holdings because the tax paid on the income would more than offset the ½ per cent. difference in interest rate. These bonds can be exchanged for later issues bearing the same rate of interest, or if the very next issue is at a higher rate an exchange may be made. They cannot be exchanged for the second or third issue after this bearing a higher rate.

3. The converted 4 per cent. bonds are those which are the result of lenders changing the first issue of 3½'s into the next loan. These converted 4%'s are due to be paid off in 1947, with the option on the part of the Government of paying them in 1932. The exemption privileges are exactly the same as the Second 4%'s and the possibility of exchange into later issues is the same as the Second 4%'s. The man who exchanged his 3½'s for 4%'s can exchange for the next issue if he thinks it advisable, but the man who retained his original 3½%'s can wait and exchange for any future issue. The interest on these

bonds is due June 15 and December 15, the same dates as the 3½% bonds.

How Should They Be Kept?

The matter of registration of all three classes of bonds will of course protect the holder against loss, but this element of protection would not seem to be of such importance as the problem of releasing them for sale, borrowing purposes or conversion. It is therefore advisable for the small investor to keep his bonds in coupon—easy-to-dispose-of—form.

These coupon bonds are not much different from gold coin or bills. If they are lost there seems little likelihood of recovery even if the numbers are known, for these bonds are the most negotiable form of bond known. If the bonds are lost in coupon form you cannot get new ones. The best that can be done is to notify the Treasury Department in Washington and your Central Federal Reserve Bank to try to look out for them.

Bonds which have become mutilated may be replaced by the United States Treasury when proper affidavits are made to the Treasury officials and a bond of indemnity is given by the owner. The sum and substance of the matter is that the owner has just about as much chance of recovering lost Coupons Liberty Bonds as he has to recover a twenty-dollar bill.

Not every investor in these bonds feels that he can afford a safe deposit vault. If this is true, it is best to apply to the bank or trust company in your city or town and ask them to help you out of your troubles.

If you can afford a safe deposit box—cost from $2.50 per year upwards—by all means rent one and put your bond in it and whatever other valuables it may hold which you have been hiding in bureau drawers or tucked away in mattresses. Do not carry these bonds on your person or leave them in your home, for there are very few burglar or fire insurance policies which will cover the loss of your Liberty Bonds.

How Can You Collect the Interest?

If your bonds are registered, you will receive a check from the United States Government on your interest day. You must be sure that the United States Treasury Department has your proper name and address. If you have coupon bonds, cut off the coupon which corresponds with the interest date due—be very careful to cut off only the coupon due—and present it to any bank, trust company or postoffice which has a money order department. Your broker also will cash the coupon for you.

Those who own 3½% bonds do not need any form of ownership certificate—re income tax—to get their interest. Those who own more than $5,000 face value of the Second or the Converted 4% bonds will have to furnish such ownership certificate before collecting their interest.

This article cannot enter into the various kinds of forms to meet certain conditions, but the advice is to go to your bank, trust company, broker or postmaster and get the proper information from him. Many stores and mercantile firms will accept your coupons the same as cash, if no income tax ownership certificate blank is necessary. If you lose a coupon your chance of replacing it is about one in a million, so be very careful not to let it get away from you, but cash it as soon as possible after cutting it from your bond.

Many bonds have but a few years' supply of coupons on them. When the set on your bond comes to an end, take the bond to your bank or broker, who will send it to the proper place to have additional coupons put on. Do not try to do this yourself. Always take a receipt for your bond when left with your bank, broker or postoffice.

How Can You Buy and Sell Bonds?

The principal market for Liberty Bonds is in New York City on the New York Stock Exchange. But this market is mainly for denominations of $1,000 and up. There are a number of firms who make a specialty of the smaller or "baby" bonds, and your bank or trust company will be glad to have your order carried out. A National Bank is really a Government institution and should you meet with a rebuff or a refusal, find out the name of the nearest Central Federal Reserve Bank and communicate direct with them. Beware of brokerage firms and stock brokerage firms about which you know little or nothing. If you are located in a large city, you can find out which are responsible and which are not, but those bond holders residing in smaller towns or in the country who have

not had dealings with brokers, should "play safe" and go to their banks or postmaster for advice.

It may be that the buyer of a $50 or $100 Liberty Bond will have to pay just a trifle more in the open market than he would for the $500 or $1,000 bond. He may also get a trifle less on sale, but the difference is so small as to be hardly noticed. The variation between bid and offer of these bonds can be as close as two cents for every $100 face value of bond.

If you sell your bond between interest dates, you will receive the accrued interest from the last date of payment, but the next coupon will go with the bond. The buyer pays you the proportion of interest you are entitled to up to the date you sold him your bond. In like manner, if you buy a bond, you must pay the seller his accrued interest up to the date of purchase.

You will find quotations for all Liberty Bonds in the city papers, or your bank will tell you the market price. There is no reason why you should sell at any less figure and beware of those who desire to buy your bonds at less than the quoted price.

If you cannot pay for your bonds in full at the time the Government requires the money, or if you wish to save money by purchasing these bonds on the installment or partial payment plan, THE MAGAZINE OF WALL STREET'S Inquiry Department will be glad to suggest reputable firms who make a business of this form of purchase. Many local banks will be glad also to arrange terms for your convenience, but these reputable brokerage and investment firms have special plans for the small investor which will be communicated to him upon his inquiry.

How Can You Borrow on Your Bonds?

If you find yourself in dire need of funds, it is not necessary to sell your bonds. You can borrow on them until such a time as your financial condition is improved. Any bank will help you, and many firms make it a business of loaning money on these bonds. Do not borrow unless the lender gives you at least 90 per cent. of the market value of your bond. If your bond is valued at 97 and the face value is $100, you should get about $87.50 as a loan. Under no conditions should you be charged more than 6 per cent. for the amount borrowed, and the interest from the bond put up as collateral belongs to you when it is due.

You can borrow with an understanding that you will pay the entire amount borrowed at a certain time or you can borrow with the understanding that you will pay the loan in installments. In the latter case you must be certain that you are given credit for the installments paid in and no interest is charged on these installments.

It is necessary for you to make certain that you get a receipt, or form of agreement, for the loan made, so that there will be no dispute in the future. This agreement or receipt should be cared for just the same as if it were the actual bond.

In Conclusion

If there are any questions which this article does not cover and about which you desire information, your local bank officials or the Inquiry Department of THE MAGAZINE OF WALL STREET will be glad to answer them for you.

It is your duty, patriotic and personal, to know everything there is to know about your bond. Read what is printed on the body of the bond; read what is on the coupon; understand every feature and item connected with it. This lesson is the first step in your education as an investor.

The people of our country have been poor investors. The poorest citizen of France has known all about his Government bonds for hundreds of years. Our past and future Liberty Loans will awaken an investment interest which has come to stay. You must keep your education up to and above the average of the times and do not be afraid to ask about what you do not know or what is not clear to you.

LATENESS OF MAILS

The Magazine of Wall Street is always mailed in time to reach its out-of-town subscribers on the publication date, but owing to the traffic congestion it sometimes does not arrive punctually. In times like the present it is our duty to accept without complaint conditions as they exist. We believe, since the Government has taken charge of the railroads, that transportation difficulties should gradually grow less.—Editor.

What Every Investor Ought to Know

"I Hear That—"

The Fallacy of Relying on Newspaper Items and Gossip—The Necessary Questions to Ask About an Investment and from Whom Replies Should Come

By JAMES KENNEDY

A SUCCESSFUL business man, once upon a time, found it necessary to consult a famous lawyer. The case was one which involved technical terms and hinged on judicial decisions of an intricate nature. The lawyer questioned his client, cross-examined him and recross-examined him. He then formed a two thousand word hypothetical question and gave the answer. The client allowed his mind to wander during the discourse because he could not follow the peculiar and specialized language of the legal profession. After the lawyer had used about $200 worth of legal time, he reached a conclusion. The client realized that the legal train had reached a station but he did not know the name of the station, so he asked, "Have I any chance of winning this case?"

The investor—the average investor—is not one whit different from the above mentioned business man. All he wants to know is whether his prospective investment is the right one for him to make, or the wrong one for a man of his circumstances. The language of finance is just as confusing as the language of law. Many of the books which are written by experts in finance are thoroughly impossible to the average investor.

"Newspaper Dope"

It is remarkable how many people always believe what they read in the newspapers. All news is made presentable and in giving it this dressing the salient point is often lost or minimized. Sometimes a paragraph or a column in the newspaper could easily be boiled down to five lines. Many reporters are paid space rates.

Financial news as printed in the very best general newspapers is treated in the same manner as the story of John Smith's wife running off with John's chauffeur. The writer recently went through a file of clippings covering the past two years of Curtiss Aeroplane Company's history. Rumors were stated as facts. Statements of officials were printed without being checked. One article reported millions of Government orders and another reported none. If you, Mr. Average Investor, had invested your funds on this news—as many do—you would have either made a million dollars or gone broke. In either case you could have reached the result by going at it blindly.

Most financial writers hedge in their forecasts. After you have read the article, you determine that Brown in the *Express* thinks the market is going up. It goes down. You write Brown a letter of criticism and make fun of his judgment. Brown shows you where he said "something" in that very article which you overlooked which meant that the market was more likely to go down. Then you feel that you have made yourself ridiculous, but it does not prevent you from believing Smith in the *Owl*.

Before you make any investments based on financial news as appearing in the daily papers, get a back file and chart out the predictions and statements. Then see how they fit in with what actually happened.

Do not base your investments purely on newspaper predictions or suggestions. Check them up with the formulae which close this article.

Stock-Brokers' Suggestions

The man who represents his firm on the Stock Exchange is deemed by the layman to have "inside" information which is very valuable. There may be some brokers, whose daily business it is to execute orders, who also have a good knowledge of investments. Certain clients have been hunting for many of these "investment specialists"

for years and have metaphorical double-barreled shot guns to use when they meet them. Just stop and think, Mr. Average Investor, and ask yourself how these brokers who are buying and selling all day long can have time to study real investment conditions. The member-brokers have too close a perspective. They are like men standing close to a wall. They can only see a few square inches of it and not the whole wall.

The stockbroker's interest is in commissions. Of course, the partners would rather see their investment clients make money. But the stock broker is not usually the best man to ask about investments. His speculative acumen may be above par, but there is a wide difference between investment and speculative knowledge. There are some stock brokers who make a specialty of investment conditions and others who hire men for no other purpose than to hunt out good investments. They are part of the formulae which will be presented to you.

Corporate Reports

In the goodness of your heart, Mr. Average Investor, you purchased five shares of Southern Pacific, gave it to your wife and had the stock transferred to her name. One day, while you are at business, the postman brings a 200-page yearly report to your wife. It contains a special message from the president to stockholders, another from the treasurer, a certified statement from the accountants, and 20 or 30 exhibits, ending up with a wonderful map of the United States with the Southern Pacific road superimposed in red lines.

You watch your wife with much interest. She glances through the costly report and reaches the map. She notes Oshkosh, where her sister lives, turns the book over and quietly drops it in the library waste basket. Later, after she has retired, you fish it out and note that the president says everything is running well and that it is costing the company much money for taxes. But the report does not mean much to you unless you have learned to separate the chaff from the wheat. The fact that your road earned $13 a share during the year means little unless you have the comparison of former years, the comparison with other trunk lines in the same territory, the condition of surplus, the item of depreciation, the condition of the rolling stock, etc.

You have been a very busy man accumulating money to invest, but you have not had the time or inclination to become a specialist in reading a railroad report. The same situation applies to your industrial, mining and public utility stocks. Your bond investments demand a separate training. It is clear that to protect yourself you should at least know how to ask questions and learn who are the proper authorities to answer them.

Subway and Office Gossip

The writer knew of one man who bought 100 shares of U. S. Steel preferred as an investment. He was sitting in his broker's office when he received the report. Another customer, of a speculative type, made a remark which he overheard. He did not know the man and the remark was made to a third customer likewise unknown to the involuntary eavesdropper. The remark was: "I believe the Steel stocks are going to the dogs."

Our investor felt that he had made a mistake. He wanted to sell his recent purchase right away and had to use considerable will power to hold faith in his judgment.

How many of you, Average Investors, have been influenced by remarks overheard in the subway, street cars, trains and other public places? Probably hundreds of thousands of shares and millions in bonds have been purchased and sold as the consequence of involuntary eavesdropping in public places. It is a true bill against the uneducated condition of the average investor. The chances are nine hundred and ninety-nine in one thousand that the speaker knows no more about an investment than you know about the lumber business, and yet you permit yourself to be influenced by a man who is probably more ignorant than yourself.

The Lure of the Pamphlet

"Diamond Jim" Brady was one of the greatest salesmen which this country ever produced. As an efficient business man he possessed a world-wide reputation. His associates were railroad presidents and men high in finance. Yet his estate was chock

full of worthless shares. Whether these were purchased to please casual friends or because of the representations of literary (?) prospectuses no one will ever know. There is no difference in the psychology or the material result. A friend who has "a good thing" and a glowing prospectus are twin brothers.

This does not mean that every efficient and alluring prospectus is untrue and does not represent a good investment. But the average investor must not base his judgment on the evidence submitted by the plaintiff. Credible witnesses are just as important to an investment as they are to substantiate evidence in law. Where will you find these witnesses?

The Formulae for Mr. Average Investor

(1) He must know what questions to ask.
- a. Is this the right investment for me and my capital?
- b. Have I followed "John K. King's" formula?*
- c. Have I verified the newspaper reports?
- d. Have I asked the right questions about the report?
  1. What are the questions to ask about railroads?
  2. What are the questions to ask about industrials?
  3. What are the questions to ask about oils?
  4. What are the questions to ask about mining stocks?
  5. What are the questions to ask about bonds?
  6. What are the questions to ask about public utilities?
  7. What are the questions to ask about this investment?
- e. Have I given "Dame Rumor" too much credence?
- f. Have I checked up the statements of the prospectus?

(2) He must know where to get his information.
- a. What does my investment broker think?
  1. Has he any interest in the security?
  2. Is he antagonistic for personal reasons?
- b. What does my banker think of its worth?
  1. Is his conservatism too pronounced?
  2. Is his ability any better than mine to analyze?
- c. What is the judgment of my financial publication?
  1. Have they any personal interest in the security?
  2. Have they given me a definite opinion?
  3. Have they ferreted out the essential facts?
  4. Are they equipped with trained experts, accurate statistics and seasoned judgment?

I firmly believe that, everything considered, the Analytical Bureaus of unprejudiced financial publications are the best source of information on which to base your decisions. It is their business, and like the competent lawyer they have the data and information on which their opinions are based. You must, however, have some basis of knowledge on which to ask the proper questions and understand the answers when you get them.

(To be continued.)

*Page 114 of October 27, 1917, Magazine of Wall Street.

COUPONS FOR FOREIGN PARTS

The War Trade Board has issued the following announcement:

Bankers and others having coupons to collect, due January 1, 1918, for foreign individuals, firms, corporations, or others, are not required, until further notice, to obtain licenses from the War Trade Board or authority from the Federal Reserve Board in order to make such collection; *provided*, That any funds so received which the collecting agency has reason to believe are the property of an enemy or ally of an enemy, or will be used for the benefit, directly or indirectly, of an enemy or ally of an enemy, must be held in separate acconnt under notice to the Alien Property Custodian.

Readers' Round Table

[Subscribers are invited to contribute to the Readers' Round Table Department. From our readers we receive many valuable suggestions and interesting ideas, and have inaugurated this feature in order that they may present their problems and their thoughts to their fellow readers. We believe that this interchange of ideas will prove to the advantage of all. Send in your manuscript addressed to Editor, Readers' Round Table. No names will be used unless permission is given.—*Editor.*]

December 21, 1917.

Editor, The Magazine of Wall Street:

Dear Sir: In the light of the recent great slump in the stock market it seems to me an opportune time to call attention to some more or less neglected factors in the literature of this subject. The causes of the present decline have been variously described with about as much unanimity as there is among the opinions of the various schools of moral philosophy, and perhaps the real causes are about as obscure. I would like therefore to call your readers' attention to some half neglected factors which I think have a direct bearing on this important subject.

You have recently in one of your articles recommended Burton on *Crises and Depressions.* The whole subject, however, is one that needs rehandling, by a psychological economist or an economic psychologist, if such could be found. For there is probably no subject in the practical affairs of men so influenced in every phase by what might be called the improperly directed collective or mob mind, as this one of crises and depressions or panics.

In modern life almost everybody has shares of stock and is more or less interested in judging of their value. The increasing and praiseworthy policy of corporations in taking their workmen into partnership as shareholders, widens this interest immensely. The administrator of almost every estate is in possession of stocks or bonds, and therefore it seems to me your magazine is doing a work of inestimable value to an ever growing class, in placing the fundamentals of this subject before it in a plain fearless way.

But it is a large subject and cannot be done in a day. It involves not only a knowledge of economic facts, intricate and often abstruse in themselves, and the relations of all these facts or factors to one another, but also their relation in combination, which often, as in a chemical compound, will make quite a new substance with properties wholly different from any one of its constituents. It involves a knowledge of history, which never quite repeats itself, as the same factors are never at work upon the same materials in successive periods. A comprehension of economic facts and history requires much delving and experience. You are to be congratulated in the clear way in which you are making these factors known to the ordinary man.

These, however, are but the fundamentals. After they are mastered comes the human side, the psychology, the state of mind of the man upon whom these economic facts act. This is beyond all doubt one of the most important factors in the whole history of every movement in economic life. It is as intricate as human nature itself. Always incapable of exact analysis, yet it is from the "collective will" that any state of facts brings about, that things will happen.

Stocks go up because the will to buy is in the minds of more men or more able men than the will to sell. They go down because the will to sell is stronger than the will to buy. In the midst of a period of great activity, expansion and confidence, danger will be scented ahead, then suddenly the "collective will" appears, fear supplants confidence and there comes the panic. Not that this will develop without reason, although it may be for wholly insufficient reasons. Often it acts in a perfectly natural and legitimate way and for perfectly sufficient reasons.

It is because we can never be quite sure what will start the "collective will" to working that there is so much doubt and uncertainty as to the real cause or causes of panics and depressions. Doubtless the cause is never single or simple. It may be a new compound that never existed before in quite the same form. In only one thing is it exactly like the past—in its effects: values shrink.

By a psycho-economical study of the causes of crises and depressions I do not mean that the old recognized causes are merely to be put back a step and studied in relation to their effect on the mind. This will be necessary but the study should go much deeper, and reveal those earlier and more subtle causes back of the causes that are first noticed by some aged and experienced bell-wether of the economic flock. He must go to the root of the economic fact or statement that things are worth what they are thought to be worth, for

when these basic principles are more fully grasped *there need be no serious crises or depressions at all.*

Prof. Marshall says the product of industry is divided into four shares—rent, interest, profits and wages, and that profits are the reward of the managers' knowledge, energy, and ability. These profits are real, created wealth due to the superior ability, energy, economy, courage, judgment and prudence of the management. Profits are the chief thing the average investor is interested in, but see what an array of virtues and talents are necessary to create them. Knowledge, energy, ability, economy, courage, judgment and prudence—without any one of these any business, however useful, will not succeed, and in proportion as the management excels in these it will be successful. These observations are self evident and yet how little inquiry is made by the average investor into these qualifications, is apparent.

If the study of every company could be concluded with the salient facts about the lives of the responsible managers, it would be of great value to the investor. Such personal matters in their private lives, as their previous business failures or successes, their modes of life, the use they make of their private fortunes, their personal habits and especially their shortcomings, should be fully and fearlessly set forth. All have a bearing, and would be useful to the investor in forming a judgment not as an insurer of success, but as a valuable element of it.

It is appalling to think how much a lack of a knowledge of this human element has cost investors, especially small investors, who lose sight of everything but the promised profits. Perhaps they should not be called investors at all but gamblers, which by reason of their ignorance they really are, although in their delusion they think themselves investors.

Every investment made without a full knowlege of these human elements is likely to be a crisis for the investor. Let us know then with whom we are dealing.

The more we know about our stocks and the persons responsible for their earnings, the less panic stricken we are likely to get when the will to sell or buy puts the price up or down. It is the unknown that causes the greatest fears and hopes and the greatest movements in the prices of stocks.

Let some competent economic psychologist inform us, then, what factors have acted and likely will act on the "collective will" so stealthily and insidiously that we do not even know it exists, until it has brought disaster like an avalanche. We especially want to know what will cause this "collective will" to act when there are no sufficient economic reasons for it.

One thing more I think has not been sufficiently prominent in financial reports—the intrinsic values of the properties owned and used by companies in their business. This is also a very intricate problem but it is none the less important. No doubt the reports that every company must now make to the Government will help to solve this problem if these reports can only be made available. It will be to the interest of companies to make their "invested capital" as large as possible, in order to avoid the excess profit taxes, while it will be necessary for the Government to keep it small, and therefore what the Government allows for this item should be of great help in fixing the value of a company's assets.

Lastly, it is of importance, great importance, that all financial statements be made so as to be understandable to the ordinary man.

You are doing a great work in fearlessly bringing these often neglected, but necessary facts to the knowledge and understanding of the public. For when it knows all it will fear less and crises and depressions will take on a much more harmless aspect if they do not quite disappear in their present violent forms.

G. C. Hartman.

Farmer's Bank Bldg., Pittsburgh, Pa.

Denver, Colo., December 17, 1917.

Magazine of Wall Street,

Dear Sirs:—

After two years of following the stock market I decided I was a lamb of the poorest sort and had about decided to quit the game. I find after looking back that every time I used information in your magazine I made money and when I jumped off onto something else or got scared, I lost. These losses were caused by my own ignorance and following tips of well meaning friends, wire gossip, or brokers that didn't know. I have studied your last two issues on "Right and Wrong Methods of Investment and Speculation" and I've at last got my bearings.

I can see what an easy mark I have been and I am sure that the tidal swing of myself has hit the low point of panic, and I am at last building the foundation of a bull market for myself. I have bought myself and put a stop 2 points down and when I reach the pinnacle, I am going to ride down instead of carrying a load which might overbalance me.

Very truly,

——— ———

PUBLIC UTILITIES

Detroit United's Decline

Due to General or Special Conditions?—Record of Earnings—Its Investment Status

By MALCOLM B. ARMSTRONG

IN the débacle of the public utility security prices it was to be expected that Detroit United Railway would have to bear its share. Such was the case. From a high of 120¼ (1916 high 128⅛) for the current year, it declined to a low of 90 asked, where it stands as this is written. While a decline of 30 points in ordinary times would be considered an ominous drop in a security selling over 100 per share, it is well in times like the present to question whether market fluctuations are the result of a weakening in intrinsic merit or to extraneous conditions which have little relation to the matter of fundamental values. For the fiscal year last reported (1916) Detroit United made the record showing of more than 23 per cent or approximately 6 per cent more on its outstanding stock than any one year ever showed before.

Gross earnings for the first three quarters of 1917 were $1,300,000, round figures, greater than for the same period in 1916, while the surplus for the nine months' period was but $340,000 less than for 1916. In view of the fact that earnings have been running so near to record totals it would hardly appear that the weakness in the stock was due to unfavorable developments especially affecting this company.

Detroit United's Properties

The Detroit United Railway was incorporated in Michigan in 1900, purchasing all the street railway properties of then existing companies, operating 185 miles of track in Detroit. Since that time the company has constructed or acquired additional mileage within the city limits and also outside Detroit, and has further acquired at different times the capital stocks of various companies owning extensive interurban lines.

The company now owns all the capital stocks of the Detroit & Port Huron Shore Line Railway (Rapid Railway System), the Sandwich, Windsor & Amherstburg Railway, the Detroit, Monroe & Toledo Short Line Railway and the Detroit, Jackson & Chicago Railway, operating 874 miles of track, including all electric railways in the Detroit metropolitan zone and on the Canadian frontier between Lakes Erie and St. Clair.

On January 1, 1917, the mileage of the Detroit United Railway System was as follows:

Detroit United Railway:		
City Lines	258	
Interurban Lines	247	
		505
Rapid Railway System		137
Detroit, Monroe & Toledo Short Line Ry.		81
Detroit, Jackson & Chicago Ry.		110
Sandwich, Windsor & Amherstburg Ry.		41
Total		874

In 1916, the company constructed 23½ miles of new track on its city system but was not enabled, owing to the scarcity of materials and of common labor, to carry out its full construction plans for the year as there still remain 15 miles of new track on the 1916 program to be built. In the last year large investments were made in real estate, among these being the purchase of land for the new city terminals and for rights of way for its interurban lines. The company also added another unit to its $1,000,000 car shops at Highland Park.

The rolling stock consists of 1,609 passenger cars, 91 express cars, 343 miscellaneous cars, 4 locomotives, 4,251 motors and 3,565 trucks. There are 7 power houses with a combined capacity of 62,050 horsepower, 2 storage batteries with a combined capacity of 4,500 amperes, and 19 substations with a combined capacity of 19,750 k. w.

The company does an urban, suburban

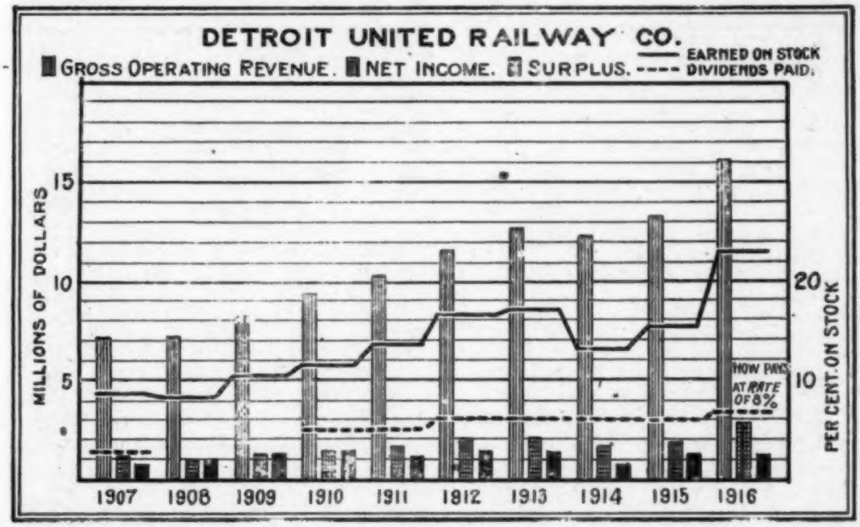
and interurban railway business, including the transfer of freight and express matter from Detroit to Flint, Pontiac, Orchard Lake, Trenton and intermediate towns. The company also renders full interurban service over controlled interurbans from Detroit to Port Huron, Jackson, Toledo and intermediate towns, and furnishes railway service over the Sandwich, Windsor & Amherstburg Railway, operating in Windsor, Canada, opposite the City of Detroit. The population served is approximately 1,250,000.

Under a 30-year grant to the Detroit Railway Co. to expire 1924, the Detroit United Co. operates about 70 miles of city track. This grant provided that the company should sell eight tickets for 25c and in consideration the company was relieved from certain costs in the construction of tracks. The remaining city mileage is operated under a day-to-day agreement because of lapsed franchises on this trackage. In December the company announced the cancellation of its low fare agreement with the city, i. e., the substitution of a cash fare of 5c on all lines which are not being operated under the eight tickets for a quarter franchise.

In a letter to the Mayor of Detroit President Brooks stated that the former rates of fares were not yielding enough to meet ordinary operating expenses and added:

"Everything costs more, including labor. Labor costs the D. U. R. on an average, 40 per cent more than at the same period a year ago. We have raised the carmen's wages four times in the last year. Our total earnings are $3,500 a day less now than they were a year ago. The situation is growing worse day by day.

"Our operations on the Detroit city lines for the month of October were on a basis of an annual deficit exceeding $2,000,000. Even the rates of fare in effect prior to August 7, 1913, are insufficient to yield, under present conditions, a return upon the capital invested, and it is certain these conditions cannot be improved immediately."



The new rates are estimated to yield the company an increased revenue of about $3,500 a day or at the rate of $1,250,000 annually. What action the city will take in the matter has not yet appeared.

Municipal Control Factor

The story of the company's battles with the city over the matter of municipal control would make a long chapter. In the spring of 1915 the city bid $24,900,000 for the company's property in the one-fare zone for which the company wanted $30,000,000. The sale was finally authorized at a price of $24,900,000 whereupon the

city reduced its bid to $23,285,000 which the company refused. In the September election of that year a proposal to purchase the property of the company in the one-fare zone at a price to be settled by the judges of the Circuit Court, was decisively defeated. In this connection the famous Cooley appraisal of the company's properties which was made by Professor M. A. Cooley of the University of Michigan for the Michigan State Railroad Commission and which we publish herewith, is of interest as giving what may be considered as a fair valuation of the company's properties. (Table I.)

The total reproduction cost of the property as of December 31, 1915, including the value of Canadian property (not included above) and capital expenditures during 1915 was therefore approximately $60,000,000.

Capitalization and Earnings

Detroit United has an authorized issue of $25,000,000 stock, one class, par $100, of which $15,000,000 is in the hands of the public, including $2,500,000 new stock offered to holders of record February 16, 1917, at par at the rate of 20 per cent of their holdings. There are underlying bonds outstanding to the extent of $7,630,000, consolidated mortgage 4½ per cent bonds totaling $14,555,000 and $3,500,000 5 per cent collateral trust notes due 1918.

In addition to the above, the subsidiary companies, all of whose stock is owned by the Detroit United Railway, have outstanding a total of $10,289,000 bonds.

In addition to this amount, $2,565,000 consolidated mortgage bonds are pledged as collateral for the collateral trust notes, $150,000 are in the company's treasury and $7,730,000 are reserved for the retirement of underlying bonds.

The Consolidated Mortgage 4½ per cent bonds are secured by a first mortgage on 157 miles of electric railway track in the city of Detroit, and by a second mortgage subject to $2,750,000 prior liens on the remaining 101 miles of track in the city. The consolidated mortgage bonds are further secured by a junior lien subject to an additional $4,880,000 of underlying bonds on 247 miles of interurban railway, five power houses aggregating 28,000 horsepower capacity, sub-stations, equipment, real estate, etc., constituting all the property directly owned by the Detroit United Railway. The consolidated mortgage is closed except for refunding prior liens, upon the retirement of which it will become an absolute first mortgage.

Table 11 shows the company's earnings in detail for the last two reported years and emphasizes the prosperity which has come to the city of Detroit in these humming times. It is of interest to note that the 1916 gross earnings were equivalent to 45 per cent of the funded debt and net earnings approximately 2¾ times the interest on the funded debt. In contrast to many other electric companies which did poorly in 1916 owing to high costs of operation and other factors, the Detroit United Railway made

TABLE I—THE "COOLEY VALUATION" OF DETROIT UNITED'S PROPERTIES

	Cost of Reproduction	Cost of Reproduction Less Depreciation
Detroit, Jackson & Chicago	$3,846,060	$3,336,869
Detroit, Monroe & Toledo	3,792,218	3,431,997
Rapid Railway	5,107,038	4,502,446
Detroit United Railway (incl. City and Interurban Lines)	34,072,511	30,263,925
Total Way and Structures, power equipment, general and misc.	$46,817,827	$41,535,237
Material and supplies stock	990,211	911,797
Working capital, cash and current assets	346,835	346,835
Total property in railway use	$48,154,873	$42,793,869
Property not at present in use	245,891	237,793
Total property owned (physical)	$48,400,764	$43,031,662
Total property in railway use, incl. franchise value of $7,799,269	55,954,142	50,593,138
Total property owned, including franchise value of $7,799,269	56,200,033	50,830,931

the best showing in its history. Since January 1, 1901, up to January 1, 1917, surplus earnings and reserves created out of earnings totaled $13,300,000 which has been invested in the company's properties.

While the company's full report will not be out for some time yet the following figures give an idea of how 1917 ran:

SURPLUS

	1916	1917
January	$229,800	$272,067
February	194,639	197,436
March	255,070	277,678
April	221,884	234,192
May	264,424	225,567
June	186,653	157,434
July	234,170	187,579
August	254,219	182,280
September	268,779	139,508
Total	$2,109,629	$1,873,741

While it is apparent that the year just ended will not show as well as the record year of 1916, the stockholders of the company will have little to complain of if 1917 proves to be the second best year in the company's history.

Company's Investment Position

Our analysis of of this company has developed nothing in its affairs which warrant any considerable decline in the stock. Quite the contrary, in fact. It is therefore fair to conclude that the issue has sold off in sympathy with the general decline in the prices of high grade securities. At 90 Detroit United yield approximately 9 per cent. While we do not advocate the purchase of any securities while the general trend of the market appears to be downward, we would not hesitate to recommend this issue for permanent investment anywhere under 100 when indications appear which point to the end of the present decline.

TABLE II—DETROIT UNITED'S EARNINGS FOR TWO YEARS LAST REPORTED

EARNINGS: Years ended Dec. 31—	1915	1916
Gross earnings from operation:		
Passenger	$12,381,828.66	$15,069,980.64
Express	800,527.19	907,771.90
Other	53,195.49	58,916.67
Total	$13,235,551.34	$16,036,669.21
Operating expenses and taxes	9,813,119.33	11,723,074.53
Net earnings	$3,422,432.01	$4,313,594.68
Other income	286,814.63	351,334.79
Total net income	$3,709,246.64	$4,664,929.47
*Interest charges	1,748,485.48	1,784,137.34
Balance	$1,960,761.16	$2,880,792.13
Depreciation reserve	750,000.00	800,000.00
Dividends	750,000.00	843,750.00
Surplus for year	$460,761.16	$1,237,042.13

*The annual interest on all bonds and notes outstanding with public amounts to $1,730,100.

"CONTROL THE SHIPPER"—SHAUGHNESSY

Lord Shaughnessy, president of the Canadian Pacific Railway Company, gave out a statement at the company's office in New York in regard to government control of railroads. After saying that the Canadian lines had proved adequate to handle a burden proportionately as great as the traffic load in America, Lord Shaughnessy continued:

"The efficiency and absence of congestion with which our enormous war traffic has been handled might well be taken to heart by our American friends, who, if I may venture the suggestion, are looking too hopefully to the centralized effort of an overworked government, when they should depend more on the trained enterprise of the individual industrial units that have been so efficiently developed during times of peace.

"If they are not too proud to profit by our experience in Canada, they should solve their traffic problem by placing under government control, not the railroads, but the shippers, leaving the railroads, with their trained operating staffs, untrammelled by political consideration, to find out how to carry the maximum traffic to given ports at a given time, over a given route, and helping these railroads to procure on fair terms the funds for necessary maintenance and equipment. A government controller of shipments, corresponding to our director of overseas transport, is needed, not a government controller of railroads. It is folly to send out an 'S O S' call for government control or ownership of the railroads themselves—a control which experience has shown to be fatally opposed to economy and efficiency."

Bargain Indicator of Public Utilities

NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. A poor stock may sometimes stand up well in this table because its price is low compared with latest available earnings.

	Present Div. Rate	Dividend Yield on Recent Price	Dollars Earned Per Share 1912	1913	1914	1915	1916	1917	Recent Price	Earnings Last Fisc. Year on Recent Price	INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries of yearly subscribers.
So. Cal. Edison, com	$7	8.64%	5.35	7.56	6.07	6.71	8.61	26.21*	81	32.35%	Improvement in earnings.
United Light & Ry., com	4	14.28	.....	4.74	3.74	2.41	4.41	8.63*	28	30.82	Dividend not considered entirely safe.
Cities Service, com	6	2.85	9.29	10.71	11.28	15.27	36.74	56.81*	210	27.05	Oil production contributes heavily to earnings.
Am. Pub. Util., com	0	0.00	.....	5.85	4.69	3.83	5.35	7.18	27½	26.10	Dividends not regarded as near.
Rep. Ry. & Lt., com	4	17.39	.....	.....	1.95	2.97	3.55	5.57*	23	24.21	Increase in rates made.
Northern States Power, com	7	11.29	.....	3.00	7.40	12.90	16.87	14.99*	62	24.17	Favorable position as Hydro-Electric Co.
Phila. Co., com	3	11.11	6.50	5.41	4.95	4.44	5.14	6.22	27	23.03	Earnings favorable.
Ohio Cities Gas	5	13.15	.....	.....	.....	1.92	2.30	8.70	38	22.89	Excess profits tax unfavorable.
Am. W. W. & El., 1st pfd	7	11.47	.....	.....	.....	9.57	10.18	12.96	61	21.24	Initial dividend declared in August.
Detroit United Railway	8	8.88	16.40	17.04	13.16	15.69	23.05	17.34*	90	19.26	Government price regulation should benefit.
Columbia Gas & Elec.	4	12.30	0.16	0.25	0.59	0.76	2.31	6.13*	32½	18.86	Excess profits tax will hurt.
Pacific Gas & El., com	0	0.00	—1.17	2.84	7.78	10.48	9.10	5.33*	31	17.19	Jan. dividend passed.
Brooklyn Rapid Transit	6	14.45	8.28	9.17	7.14	7.40	7.53	6.97	41½	16.79	Difficulty of meeting early maturing notes feared.
Western Union Telegraph	6	6.81	4.01	3.24	5.38	10.19	13.59	14.16*	88	16.09	War prosperous. Excess profits tax will hurt.
Consol. Gas Balt., com	8	8.24	13.12	15.27	11.43	11.56	13.89	15.02	97	15.48	Earnings favorable.
Montana Power, com	5	7.46	.....	3.13	2.42	3.73	9.20	8.39*	67	12.52	Expansion of business rapid.
Common Pr. Ry. & Lt., com	4	6.25	6.74	7.44	8.28	7.42	8.80	6.79*	64	10.60	New army cantonments increase revenue.
Pac. Tel. & Tel., com	0	0.00	0.63	1.87	1.89	0.56	1.25	1.79*	17	10.52	Seeks to take over Cal. franchise rights of Pac. States Tel. & Tel.
Twin City R. T., com	6	9.30	7.44	8.69	8.05	6.83	9.22	6.75*	64½	10.46	Dividend in no immediate danger. Strike settled.
Detroit Edison	8	8.00	7.84	8.34	10.52	13.68	13.72	9.62*	100	9.62	
Am. Lt. & Trac., com	10	4.50	26.05	25.09	22.32	24.62	25.66	20.77*	222	9.35	Benefited by coal price reductions.
Am. Tel. & Tel.	8	7.58	9.86	9.59	9.88	9.52	9.77	9.67*	105½	9.16	Margin over dividends considered ample.
Kings Co. El. L. & P.	8	8.42	9.52	9.29	10.85	11.66	11.88	8.40*	95	8.84	Increased expenses hurt.
Mackay Co., com	6	8.21	5.06	5.09	5.25	5.28	5.36	6.35	73	8.69	Wireless telegraphy competition expected.
Hav. El. Ry., Lt. & Pow. Co., com.	6	5.25	4.21	6.33	6.09	8.94	10.17	7.36*	95	7.74	
Third Av. Ry., com	0	0.00	0.08	4.25	3.78	4.19	5.98	0.00	18	0.00	Improvements in earnings.
NO 1917 ESTIMATES AVAILABLE.											
Am. Power & Light, com	4	8.42	.....	6.01	5.24	4.21	6.37	.....	47½	.....	Slight increases in earnings.
Cons. Gas of N. Y.	7	8.09	8.91	8.50	8.40	9.29	8.99	.....	86½	.....	High operating costs.
Laclede Gas Lt., com	7	8.64	8.40	8.16	8.20	9.24	11.21	.....	81	.....	Earnings ample for dividends.
Mass. Gas., com	7	8.64	4.34	5.20	5.15	5.13	5.53	.....	81	.....	
North American Co.	5	11.11	7.15	7.01	6.41	6.06	7.26	.....	45	.....	Interested United Rys. of St. Louis.
Peoples Gas Lt. & Coke	0	0.00	7.54	8.23	8.35	8.39	5.39	.....	42	.....	Turn for better expected.
Pub. Ser. Corp., N. J.	8	7.69	8.21	8.99	6.50	7.88	11.77	.....	104	.....	Increased operating expenses.
Standard Gas & El., pfd	3	13.63	7.29	3.19	2.63	3.15	5.03	.....	22	.....	Margin over dividend not impressive.

*Estimated.

Public Utility Notes

These notes are a record of recent price-affecting FACTORS, and are not to be regarded as RECOMMENDATIONS, to purchase or sell.

AM. LIGHT & TRACTION—Pfd. Stock Dividend—Company has declared regular quarterly dividends of 1½% on preferred and 2½% on common, and a dividend of 2½ shares of common on every 100 shares of common outstanding, payable Feb. 1 to holders of record Jan. 10.

AM. PUBLIC UTILITIES—Coal Saving Effected—Considerable saving in coal is being effected by completion of a high tension transmission line from the Wissota dam to La Crosse, Wis. Prior to the completion of this line, all the electric energy used at La Crosse, with the exception of current for street railway purposes, was generated by steam.

AM. TEL. & TEL.—Treasury in Strong Position—By sale of new $40,000,000 6% one-year notes has replenished its treasing extraordinary war requirements for telephone facilities. Direct, special construction which Telephone has undertaken for Government since the war has involved $10,000,000. Indirectly, the war burden laid upon company has been another $15,000,000. Practically the $40,000,000 notes provide funds to pay off $18,500,000 of subsidiary company notes maturing at various dates between Feb. 1 and Feb. 18. The balance, $21,000,000, is new money, but it does go back to build up treasury cash to the point where it stood before the special war requirements of $25,000,000 could possibly be known or realized. Obviously the entire interest charge on these $40,000,000 of notes is not a new obligation.

BAY STATE ST. RY.—Receiver Authorized to Issue Certificates—Receiver has been authorized to issue receivers' certificates for $378,987 for paying interest on bonds. Gross receipts for December showed an increase of $20,200, or 2.5%.

BOSTON ELEVATED—Earnings, 1917, 3½%—Gross during 1917 was $19,700,000 against $19,300,000 in 1916. Despite this increase net decreased due to gain in expenses. On the $23,879,400 stock outstanding net was equal to 3½% (paid in dividends). In 1916 the road earned about 4.9%. When directors two months previously failed to declare a dividend for final quarter omission was due to the fact that dividends for preceding quarters had used up the year's earnings. It should not be too confidently assumed that Elevated is definitely off the dividend list.

B. R. T.—Foss Holdings—Chas. D. Barney & Co. purchased the remainder of the Eugene N. Foss holdings. At the time of his assignment there were about 55,000 shares, the second largest interest in B. R. T. About 20,000 shares were sold in the market by brokers and institutions. sold in the market by brokers and institutions.

BROOKLYN UNION GAS—Back Taxes to Be Paid—Will pay N. Y. City $687,000 in back taxes, under an agreement arrived at Dec. 26 for the years 1910-1915. This ends litigation pending for six years.

MASS. GAS—Dividends from Commercial Dept.—Mass. is earning its dividends independent of revenue from its four operating gas properties, constituting only 40% of its operations. It takes $500,000 a year to cover fixed charges and administrative expenses. Preferred dividends call for $1,000,000 and common $1,750,000, or $3,250,000. Earnings of the gas department, which the previous year exceeded $1,500,000, or $6 a share on Mass. common, are all more than assured.

PAC. GAS & ELECTRIC—Dividend on Common Passed—Company has passed the quarterly dividend of $1.25 on the common stock, due to a desire to conserve resources. The action was brought about by the increase in cost of labor and raw materials.

PHILADELPHIA CO.—Reorganization of Pittsburgh Rys.—$310,150 was the interest due and passed Jan. 2 on the bonded debt of the Pittsburgh Rys. Co., all of whose $5,000,000 stock is owned by the Philadelphia Co. This default foreshadows ultimate receivership and reorganization. For years Pittsburgh Rys. has been more of an expense than a help to the Philadelphia Co., which has grown and prospered in spite of its ownership in this traction property. For a number of years the only revenue which Philadelphia received from the railway was 6% paid on $10,000,000 Pittsburgh income debentures of 1953. Pittsburgh has been in the same situation which has crippled street railways throughout the United States. The point was reached when the parent company determined to make no further advances to the street railway.

PUBLIC SERVICE N. J.—Retrenchment Planned—Pres. McCarter announced proposed retrenchments, saying: "Our company is paying 8%, and if it is to continue every effort must be made to keep it going at the lowest cost. Not to be able to continue that dividend would perhaps render it difficult to raise money advantageously or profitably to dispose of securities. Some of the money needed now to be put back into the property will be secured through retrenchment rather than by capital issues. Other funds will have to be obtained also.

WESTERN UNION—Earned $13.79—Surplus $13,766,950 for the 12 months ended Dec. 31, 1917, were equivalent to $13.79 a share on $99,786,727 capital stock, as against $12.42 a share for the same period of 1916.

MINING AND OIL

Four Gold Producing Companies

Yukon Gold, Alaska Gold, Hollinger and Dome Mines—Price Affecting Developments and Prospects

By JAMES SPEED

THE absence of change in the price of finished material, i. e. gold, in the case of the gold producing companies, deprives them of one of the most important factors which make for fluctuations in the securities of nearly all other mining companies. The gold miner knows that the U. S. Government guarantees the price of whatever he may produce and hence his problem is reduced to that of obtaining a sufficient production at a cost which will allow a margin of profit. The elusiveness of this precious metal, however, more than offsets its price stability and so through the centuries gold mining has come to be regarded as one of the most speculative forms of industrial endeavor there is.

The intention of this article is to consider four of the important gold producing companies, to wit: Yukon Gold, Alaska Gold, Dome and Hollinger.

Yukon Gold

The identity of Yukon Gold became submerged when its control was taken over by the Yukon-Alaska Trust early in February 1916. This action was part and parcel of the plan of dissolution of the Guggenheim Exploration Company.

The Yukon-Alaska Trust was formed to take over certain assets of the Guggenheim Exploration Company.

The Guggenheim Exploration Company dissolved in the middle of 1916 after paying out a dividend of $12 in cash, and its remaining assets passed to the Trust. These assets consisted of $1,000,000 in cash, about 2,800,000 shares of Yukon Gold, 500 Series A preferred stock of the American Smelters Securities Company, obligations of Yukon Gold Company, and certain other property. The exact value of all these assets cannot be computed by analysis, but it can be stated that they are considerable. The Trust's interest in Yukon Gold amounts at present market value to $5,600,000, and the cash position of the Trust is equally substantial, large sums of money having been put out in the form of loans to other companies. In addition to these assets the trust has an ownership in an African concession secured several years ago from the late King of Belgium, in the Congo, as well as other similar enterprises in Africa in which the Guggenheims, Thomas F. Ryan, B. M. Baruch, and others, have, with foreign capitalists, the dominant interest. About $2,000,000 has been expended on these enterprises, and exploration which covers thousands of acres in the heart of Africa has been under way for several years, and there appears to have been located on present holdings big mineral and agricultural resources. These properties yield an income principally from diamonds, rubber, gold and ivory. The war has interfered with the operation of these properties, but with the coming of peace they will undoubtedly be vigorously developed under the able supervision of the Guggenheim interests.

We do not know the exact cash in hand of the trust but it has grown since the figure of $1,000,000 was given out; nor are we in a position to compute the value of the Yukon Gold Company's holdings at this writing, but to quote a round figure we think that $5,000,000 fairly represents the approximate value of such general assets.

Chief Assets

Coming down to its principal assets, namely, the shares in Yukon Gold, we assume that the reader is familiar with the general position of this company. According to latest information there was a slight increase in earnings for the last fiscal year as compared with the preceding year, and the company appears to be doing very well.

This company is paying regular dividends of 30c. per share per annum, which are being paid into the treasury of the Yukon-Alaska Trust, and will be ultimately distributed to holders of the Trust certificates This asset is of great potential, speculative value, and in dealing with the future of the trust certificates, a good deal depends upon what the Yukon Gold Company will accomplish in the future.

These certificates must be regarded as a speculative investment by reason of the large proportion of mining stocks and interests controlled by the Trust, and the general speculative character of its other investments, with attractive possibilities. The dividend appears to be safe in view of the regular return from its interest in Yukon Gold, with a possibility of increase in the future both discounts as well as out of the development of its African properties—although the latter may take years to develop and to become a producing basis.

The Trust certificates are not listed on the New York Stock Exchange, but are traded in in the outside securities market.

Yukon's Gold Status

Since incorporation Yukon Gold has yielded more than $10,000,000 in dividends. Paying 30c. annually and selling in the neighborhood of 1¾ the stock yields approximately 17 per cent, which is of course a reflection of its speculative status. While this yield is high enough to warrant considerable of a risk, the fact that more than 70 per cent. of its outstanding stock is in the Yukon-Alaska Trust mitigates against the likelihood of wide swings in the market. The investor or speculator would probably do better to invest his funds in a coming rather than a going property.

YUKON GOLD'S EARNINGS

	Net avail. for divs.	Divs. Paid	Amount	Year's Surplus
1910....	$1,429,635	8%	$1,400,000	$29,635
1911....	1,404,233	8	1,400,000	4,233
1912....	1,072,592	6	1,050,000	22,592
1913....	1,130,300	6	1,050,000	80,300
1914....	1,128,307	6	1,050,000	78,307
1915....	1,084,950	6	1,050,000	34,950
1916....	1,097,511	6	1,050,000	47,511

Alaska Gold's Future

With a low record of 14 for both issues of 6 per cent. convertible debentures and a low record of 1 for its stock it would appear the proper question to ask in connection with Alaska Gold is: "Has it a future"? Even the sturdiest believers in the ultimate success of the Alaska Gold proposition were driven to silence by the depressing report for the third quarter of 1917 when the company earned only $8,734. The following excerpt from the statement for that quarter tells its own story:

> Milling as well as mining costs for the quarter increased, as compared to those of the previous quarter. This was due in part to decreased tonnage resultant upon deficiency of labor, but in even greater part to increased costs of supplies. During the last half of the quarter it became necessary in the interest of economy, and in view of the low tonnage produced, to operate the coarse crushing plant and the roll sections of the mill only two eight-hour shifts per day, instead of the regular three shifts. No improvements were made in the plant, and no extraordinary expenditures of consequence were incurred, but nevertheless a combination of low tonnage, low values, and high costs, made it impossible to earn even an approximation of the very moderate returns shown for the previous quarters. In fact, it was only through drastic economy that any net earnings at all were shown for the quarter. Notwithstanding these conditions the mill, in all its departments, as well as the power plants and mine equipment, was thoroughly maintained, and was in perfect operating condition and order at the close of the quarter. During the period there were no serious interruptions or delays in any department, save those due to lack of workmen.

Alaska Gold produced bullion and concentrates with a gross value of $426,953 in its third quarter of last year, but expenses were $420,782 and the actual mining profit which does not include other income of $2,563, was only $6,171. Earnings for this quarter brought the showing for the nine months up to 14c. per share or at the annual rate of 25c. per share. In 1916 the company earned 37c. per share.

That the showing of this company has been as disappointing as surprising goes without saying. It only goes to emphasize the statement made many times in this publication that a mining venture is always a speculative venture and that he who embarks thereon must be fortified against whatever the Fates have in store.

It also goes to show that there is no such

thing as infallibility. With plenty of capital and the best brains in the mining industry, Alaska Gold started off most auspiciously. At one time its stock sold above 40 a share and its bonds commanded a premium.

There is no mystery in connection with Alaska Gold. The sum and substance of the whole matter is that the ore ran from 60 to 75c. less per ton than the tests had indicated and which had been figured upon. The plant is a marvel of modern engineering skill and has performed far ahead of expectations, but no operating genius can make up for an average run of ore below a required grade. For the quarter ended September 30 the ore averaged but $1.01 per ton and the final net profit per ton was but 1.6c.

Alaska Gold's Prospects

The prospects for Alaska Gold are not such as to give the holder of its securities any degree of assurance. At the record low prices for its stocks and bonds the property was selling in the market at a valuation of approximately $1,200,000 as against a cash outlay of approximately $10,000,000 spent in developing the property.

President Hayden has officially denied the rumor that the mine is to shut down and stated at the same time that current assets are in excess of current liabilities. That Alaska Gold will eventually have to go through a reorganization, however, seems exceedingly likely. The hope for the company lies in clearing up the large amount of ore which had been broken down and which was expected to yield satisfactory profits, and treating only the better grades of ore. That will take considerable time and meanwhile the investor must choose whether he desires to take an immediate and considerable loss or whether he will hold, on the admittedly small chances of a permanent improvement in the company's affairs.

Dome Mines, Ltd.

There was apparently nothing in the six months' statement for the period ended September 30, 1917 (see table) to indicate that the company intended to suspend operations, but the official statement which follows explains the situation clearly enough:

"At a meeting of the directors of the Dome Mines Company held the 26th day of November it was resolved to shut down the mill for the present, and continue shaft sinking and the development of the known ore bodies, besides keeping the diamond drills at work on exploring operations. This conclusion was arrived at because while formerly six-dollar ore enabled the board to declare dividends at the rate of 20 per cent per annum on the shares and augment the surplus, this same class of ore now does not pay a profit because of the increased cost of labor and supplies, inferiority of labor, and because there are only men enough to be had to keep the mill running at one-fourth of its capacity."

DOME'S SEMI-ANNUAL STATEMENT FOR SIX MONTHS ENDED SEPT. 30, 1917

Returns from bullion	$694,541
Non-operating revenues	7,269
Gross income	$701,810
Operating and developing costs	534,575
Net earnings	$167,235
Surplus, March 31, 1917	697,051
Total surplus	$864,285
Depreciation of plant	141,164
War tax on profits, 1916-1917	27,415
Dividends	100,000
Profit and loss surplus	$595,706

The management clearly saw that nothing was to be gained by continuing to mine the company's ores under existent conditions and it seems probable that Dome will remain closed down until the end of the war. The labor situation in Canada is one such as will be relieved only on the coming of peace and before many months have elapsed it is more than probable that the United States may have to face the same conditions.

Dome is capitalized at $5,000,000, of which $4,000,000 is outstanding, par $10. Since it was listed on the New York Stock Exchange the issue has sold at a high of 30¼ in 1915, the year of its listing, and a low of 6½ in November of the current year. In 1915 the company paid dividends of $1 per share and $2 per share in 1916. A five-year analysis of this company shows that during that time, 1913-17, the company earned $6.23 on its capital stock, or an annual average of $1.24 per share.

Selling at 9 Dome would yield, if it were paying its former dividends of $1 per share, about 13.7%, which would not be regarded as an especially attractive yield for a mining stock in war times. Inasmuch as the resumption of dividends depends upon the advent of peace and as that event may be a long time off, it would appear that the part of conservatism would be to wait until there is some assurance that Dome is at the end of its difficulties before purchasing the stock.

Dome undoubtedly has years of successful operations ahead and in time should be a good earner once more. It is a stock, therefore, that the investor would do well to bear in mind when planning his peace commitments.

Hollinger Consolidated Gold Mines, Ltd.

This company is a consolidation of the Hollinger Gold Mines, Ltd., Acme Gold Mines, Ltd., Millerton Gold Mines, Ltd., and claim 13,147 owned by the Canadian Mining & Finance Co., Ltd. The company has a capitalization of $25,000,000, par $5, of which all but 80,000 shares, held in the company treasury, is outstanding. Its properties consist of about 440 acres of mineral lands and ore reserves, as reported on December 31, 1916, totaled 3,938,540 tons valued at $34,185,535.

Dividends on the old Hollinger Gold Mines Co., Ltd., were paid to June of 1916 and were as follows: 1912, $.45; 1913, $1.95; 1914, $2.77; 1915-16, $1.50.

Hollinger, like Dome Mines, suspended dividend payments last year. At the time President Timmins stated that such action seemed advisable in view of the acute labor conditions, but said that there was no intention of closing down the mine. He said that operations would be continued as long as a sufficient number of workmen could be obtained and as long as the company received adequate protection from the authorities. He also observed that the mine was in excellent shape and that ore reserves had been materially increased.

For a while it seemed that the return of harvesting hands and the closing down of munitions plants in the Dominion might permit Hollinger to resume dividends, but no definite action of that sort has been taken up to the time this is written.

There is no doubt that Hollinger is a very valuable property, but owing to the fact that it is a deep-level mine it will take a long time to fully develop it. Like Dome, it appears that not a great deal may be expected until after the war. For the investor who is willing to lock up his capital as long as may be necessary, Dome might prove a remunerative purchase at its present price of around $5 per share, but there are other opportunities in a similar line which not only offer attractive prospects for the future, but which at the present time are yielding good returns on money invested. One of them is Cresson Consolidated selling at about $5 per share. This company is earning approximately $1.50 annually and pays 10c. a month in dividends, or $1.20 per annum. Its management is of the best and its future is bright.

THUMB-NAIL SKETCH OF DANIEL WILLARD

Daniel Willard got his schooling in the oldtime schoolhouse at Windsor, Vt., which he left to work on the Central Vermont Railway. He was locomotive fireman, later he sat on the righthand side of a locomotive, was superintendent, general superintendent, general manager, and vice-president of such roads as the Burlington, B. & O., and Erie. Besides being a man born to railroading, he is an executive, and has the rare faculty of winning the confidence and co-operation of his fellows: Straight and slender, with gray hairs, he impresses one as being a man who refuses to grow old. He used to insist upon calling his private car his "business car." And manifestly it was, with its filing cases, typewriters and other office devices for the accurate and prompt despatch of business.

Mining Notes

These notes are a record of recent price-affecting FACTORS, and are not to be regarded as RECOMMENDATIONS to purchase or sell.

ALASKA GOLD—(See special article)

AMERICAN ZINC—Profits, 1917, $1,500,000—For 1917, American Zinc will probably show net profits of close to $1,500,000, after allowing for excess profits tax but before depreciation. This would be better than $5 a share on the 193,000 shares of common outstanding, after allowing $6 a share on 80,560 shares of preferred. Am. Zinc has $450,000 cash and quick net assets close to $5,000,000. In all the company's financial statements, stocks of unsold spelter are inventoried at cost. The company recently secured through the Government an assured supply of brimstone, essential to it in the production of sulphuric acid and in the sale of which, at prevailing prices, there is a very substantial profit. The company's miscellaneous revenues from its zinc oxides and sulphuric acid alone should considerably more than cover the annual pfd. stock dividend requirements of $480,000. Wisconsin Zinc Co., a subsidiary in which American Zinc has a controlling interest, is making good earnings, from which it has been paying off the advances made by American Zinc Co. Earnings of the Wisconsin company should be available for distribution to shareholders, and from this source American Zinc should, in 1918, derive an important revenue.

ANACONDA—21 Mines Operating—1918 opened with 21 of Anaconda's mines operating at capacity, and by the middle of January it likely will have its St. Lawrence and High Ore mines in operation. Production should soon be up to normal. Notwithstanding normal number of men are at work decreased efficiency prevents getting out sufficient ore to bring production to normal. Considering labor troubles and fires, Anaconda officials feel that much was accomplished in production of 225,000,000 lbs., which fell short of 1916 only 81,750,000 lbs. December production 22,600,000 lbs. showed an increase over any previous month since June, and January is expected to bring production back to figures prevailing before June.

CERRO DE PASCO—$3,500,000 Convertibles Outstanding—There are outstanding less than $3,500,000 of the $10,000,000 6% convertible bonds. Bonds called for payment, converted into stock at 30 a share, and purchased for account of the sinking fund approximated $6,500,000 as of December 1, 1917. Operations are running smoothly. Production for the 11 months ended November 30, 1917, totaled 66,340,032 lbs. This showing was much better than output for the corresponding period of 1916. Estimating December production at 6,500,000 lbs., company should close 1917 with an output approximating 72,840,000 lbs. This would be the best in the history of the company and well in excess of the 71,000,000 lbs. of copper turned out in 1916.

CHILE COPPER—Earnings, 1917, $2 a Share—Unless costs show an unlooked for upward trend during the last three months, earnings for the year 1917, according to indications, should be about $2 a share on the 3,800,000 outstanding stock. The above earnings are computed on the basis of 25.21 cents per pound for copper for third quarter as compared with 27.71 cents for previous quarter. Surplus $1,150,418 for the quarter ended September 30, 1917, was equal to 30 cents a share on $95,000,000 capital stock. "The cost f. o. b. plant was 10.41 cents, against 8.53 for previous quarter. The cost, delivered at Atlantic seaboard, including freight, handling, selling and miscellaneous expenses, was 14.31 compared with 12.22 for the previous quarter. The costs are actual operating and delivery costs but do not include depletion of ore reserves plant and equipment, interest on bonds, excess profits and increased Federal income taxes. Higher costs are due, to decrease in tonnage, increase in cost of supplies; the marked decline in the exchange rate between U. S. A. and Chile, which resulted in a correspondingly higher cost for labor and local supplies."

For the full year the Chile will have produced between 85,000,000 and 90,000,000 lbs. of copper and landed it in the United States at an average cost of less than 15 cents a pound, after meeting the extraordinarily high freight rates prevailing in all ocean traffic. Chile has by no means come near its ultimate goal, as the management has plans for the establishment of this property as the world's greatest, and possibly lowest cost, producer of copper. From official sources it has been stated that eventually the Chile plant will be able to handle sufficient ore to permit of an annual output of copper approximating 300,000,000 lbs. Delayed delivery in all equipment will retard this date very materially.

CON. COPPERMINES—Shipping High-Grade Ore—Shipments of highgrade direct smelting ore from the Alpha mine would be increased during January and February according to announcement. Officials stated that in order to conserve the coal supply the Kimberly concentrator of the company would be closed down during that period.

DAVIS-DALY—Ore Body at Hibernia Mine—The ore body on the 400-foot level of the Hibernia mine appears to be a "bonanza" according to one report. The width has increased to 27 feet, with a streak of waste appearing in the middle. Net smelter returns on carload lots are running from $1,100 to $2,480 per car. In a number of car-

load returns the lead is running as high as 10.6% with the zinc up to 24%. The gold holds at $1.80.

DOME MINES—(See special article)

FEDERAL MINING—Losing Money— Company reports for November a loss of $27,108, including a deduction for depreciation. This compares with net earnings in October of $31,077, in September of $112,422, and in August of $216,430.

FIRST NATIONAL—Dividend of 15 Cents a Share—Company has declared a dividend of 15 cents, payable February 25. The distribution covers a six months' period, as in August, 1917, there was paid to stockholders 40 cents a share. Dividend of 25 cents was paid in December, 1916. Labor troubles forced cessation of operations by the Balaklala company for a period of two months in 1917, during the period covered by the current dividend, but operations at capacity were resumed since that time.

GREENE CANANEA—Company in December, 1917, shipped about 1,678,000 lbs. of copper. The mines were closed from June 22 to December 10. Company in 1917 turned out 30,288,000 lbs. of copper, compared with 48,663,381 in 1916, and 13,547,575 in 1915. Officials state production should reach normal levels around the end of January, assuming that there is no interference with operations.

HECLA—Four Years' Reserves—Opening the mine—From the 1,500-level, the deepest down to the 2,000-level, it is stated that the 1,000-level shows the oreshoot developed for 2,000 feet in length in the main vein practically in ore continuously. The mine shows upward of four years' ore supply in the main vein about the 1,600-level.

HOLLINGER—(See special article)

McKINLEY-DARRAGH—1918 Predictions—Producing bullion at the rate of 86,174 fine ounces a month, and with the price of the product running around 85c. company is in a financial position equal to the best days in its history. The gross annual yield at the existing rate of production would aggregate approximately $878,974. Developments at the lower workings of the mine have proved the existence of ore to a larger extent than was anticipated. The new oil flotation plant will also soon be in full operation, and there is every reason to expect that 1918 will be one of the most prosperous years in the history of this mine. The regular 3% dividend, due January 1, 1918, brings the aggregate dividend disbursements up to $5,146,197.34, which is equal to 229% of the issued capital stock of the company.

MIAMI—70,000,000 Lbs. a Year—Company reports production in December, 1917, as 4,931,450 lbs., compared with 3,361,426 the previous month and 4,622,273 in December, 1916. Miami officials had looked forward to a record output in 1917, but labor troubles had prevented a realization of their hopes. Following a strike of the men the mines closed July 3 and did not re-open until August, when only 250,000 lbs. were turned out. But production showed a good improvement in September, and this was continued right up to the close of the year. December's production came within 68,550 lbs. of the 5,000,000-lb. level. Assuming there is no interference with operations and that the changes planned in Miami's mill are effected, the 1918 production has a good chance of totaling 70,000,000 and possibly 75,000,000 lbs. This will compare with the following round figures: 1916, 54,000,000 lbs.; 1915, 42,000,000; 1914, 1913, 1912, 33,000,000 annually; 1911, 15,000,000.

NORTH BUTTE—1917 Production Estimated—Company's production for 1917 is estimated at 14,983,000 lbs. copper, 671,000 ounces silver and 960 ounces gold. This compares with 24,947,000 pounds copper in 1916, together with 960,246 ounces silver and 1,709 ounces gold in 1917. However, the production of North Butte in 1917 really approximates only six months' output. Since June 11, 1917, when the fire in the Granite Mountain shaft destroyed most of the shaft and the lives of about 170 miners, production has been negligible. The shaft has been repaired and resumption at full scale is expected during January. Company has posted a quarterly dividend of 25 cents. 75 cents was paid in January, 1917, increasing the rate to $1 in April, but the disastrous mine fire in June curtailed the July disbursement to 50 cents and the October payment to 25 cents.

RAY CONSOLIDATED—Production, 1917, Gain 17,000,000 Lbs.—1917 was the best year in the history of company. Its gain in production of approximately 17,000,000 lbs. was about the same as was shown by Utah Copper, but its relative betterment over the previous year was greater than that exhibited by any of the other porphyries under the same management, or close to 25%. Eventually Ray should be among the producers turning out 100,000,000 lbs. annually. Average production was around 7,500,000 lbs. monthly during 1917. Production in the past has been: 1916, 75,000,000 lbs.; 1915, 60,000,000; 1914, 57,000,000; 1913, 52,000,000; 1912, 35,000,000; 1911, 20,000,000 lbs. Ray's cost in 1917 was not far from 13 cents, excluding Federal taxes. This cost compares with 1916, 10.1 cents; 1915, 9.4; 1914, 8.8; 1913, 9.7; 1912, 9.8 and 1911, 10.7 cents. Assuming an average price received for copper of 26 cents, the profits were around $12,000,000, or between $7 and $8 per share on 1,577,000 shares. These earnings compare with an average of $2.71 annually, 1911 to December, 1916. Company has materially strengthened its treasury position.

YUKON GOLD—(See special article)

Standard of Kansas

Now a Producer as Well as Refiner—Earning Power—Prospects

By L. S. ROGERS

THE State of Kansas is given credit for having saved the oil situation in 1917. It was due to the development of prolific fields of oil there that refiners in this country were able to get supplies adequate to meet the great demand for refined products that resulted from domestic and war demand. The discovery of new pools in Kansas at a time when production of the great pools of Oklahoma was falling off, was of inestimable value to the oil trade not only in giving the refining industry abundant supplies, but also in checking any panicky feeling on the part of refiners that there would be an insufficient supply, which feeling, if it had materialized, would have done much harm to the trade.

Latest figures show that Kansas fields are producing more than 120,000 barrels of oil a day. The total in Oklahoma is slightly more than 230,000 barrels. The total for the midcontinent field thus is about 250,000 barrels daily. This record of 120,000 barrels a day reveals how production in Kansas has increased in the first six months of 1917, as shown in Table I.

Development of great oil fields in Kansas has been especially valuable to the Standard Oil Company of Kansas. This company had its charter provisions broadened so that it could enter the producing business a few months ago.

Its Earning Power

Since the dissolution of the Standard Oil Co. of New Jersey in 1911, Standard Oil Company of Kansas has made an average yearly earning of $50 a share on its present capital stock of $2,000,000. Net profits in 1916 were at the rate of $63.60 a share, against $28.19 in 1915.

Its earnings compare as follows:

	1915	1916
Net profits	$563,964	$1,270,313
Dividends	240,000	320,000
Balance to surplus	$323,964	$950,313

Net assets on December 31, 1916, were $4,418,000, against $1,032,000 on December 31, 1911, its surplus at the end of 1916 was $2,418,000, compared with $32,000 at the end of 1911.

TABLE I—Comparison of production in Oklahoma and Kansas in first six months of 1917:

	Oklahoma	Kansas	Total
January	8,170,000	2,170,000	10,340,000
February	7,320,000	1,780,000	9,100,000
March	8,140,000	2,170,000	10,310,000
April	8,230,000	2,190,000	10,240,000
May	8,670,000	2,440,000	11,110,000
June	8,190,000	2,750,000	10,940,000

At its last dividend declaration the directors authorized the payment of an extra dividend of $4. It had been declaring $2 extra in addition to the regular quarterly dividend of $3.

In its 1916 report the company for the first time set up its depreciation account and after setting aside $345,000 for depreciation reserve, the company's capital investment increased $630,000 for the year. Working capital at the close of 1916 was $2,643,000, compared with $1,978,000 at the end of 1915. The company had more than $1,500,000 in net cash assets in its 1916 report, which item is believed to have been increased in the last year, so that the company is in a strong position.

TABLE II.—Preliminary estimate by John D. Northrop of the United States Geological Survey on quantity of petroleum produced and marketed in the United States in 1917 with comparison with 1916:

Eield	1916	1917
Appalachian	23,009,455	24,600,000
Lima-Indiana	3,905,003	3,500,000
Illinois	17,714,235	15,900,000
Oklahoma-Kansas	115,809,792	147,000,000
Central and No. Texas	9,303,005	11,000,000
North Louisiana	11,821,642	8,700,000
Gulf Coast	21,768,096	24,900,000
Rocky Mountain	6,476,289	9,200,000
California	90,951,936	97,000,000
Other Fields	7,705	....
Totals	300,767,158	341,800,000

A Favorable Outlook

It is easily able to take care of its expansion work incident to the development of the Kansas oil fields. When that work

is completed it will be seen that Standard of Kansas will have become one of the strongest oil companies in the country. When the cost of that expansion is arranged for recapitalization, it is believed, will follow.

Its present capital stock of $2,000,000 assuredly is too small for a company doing the business of Standard of Kansas. If this takes place, it will be following the lead of several of the other Standard companies which were nominally capitalized and which increased their capital stock as the business and surplus grew. Standard of Kansas already has increased its stock twice. Its original capital stock was $500,000. In 1906 it was increased to $1,000,000 and in May, 1913, to $2,000,000.

With prospective melon cutting, the investor would appear to be taking a small chance in putting money into Standard of Kansas stock. If the melon cutting is long delayed, the earning power of the company is practically certain to increase as a result of its expansion in business so that larger cash dividends, as is indicated by the declaration of $4 extra the last time, probably will increase his return. There is the satisfaction in putting money into a Standard Oil property of the merit of Standard of Kansas of knowing that one is participating in a business ably operated and one that has an unusually bright future by reason of the bringing in of new fields close to the company's refineries.

Appointment of Mark L. Requa of California as Oil Administrator has resulted in confusion in the oil industry. The announcement that "the first act of the new oil director will be to undertake an investigation of the entire petroleum situation and to recommend to the Fuel Administrator such action as may be necessary to handle petroleum affairs," and the statement to the effect that "general reduction in present high prices will be one of the aims of the Oil Administrator" are not reassuring. Independent oil men of the middle west are of the opinion that his "control" of the industry relates only to fuel oil. Some manufacturers who operate their plants with oil as fuel appear to have taken the position that inasmuch as the price of coal is being regulated, the price of fuel oil should be fixed, otherwise they are in the position of being discriminated against. If the Oil Administrator's activity is confined to this point, and even to include the price of gasolene, the oil business will not be seriously disturbed. But if he interferes with production of oil, it is felt that highly unfavorable conditions would result.

From the personal point of view the appointment of Requa is acceptable, especially to the independent oil men of the country. Requa formerly was head of the Independent Oil Producers' Agency of California.

Growth of Union Tank Line

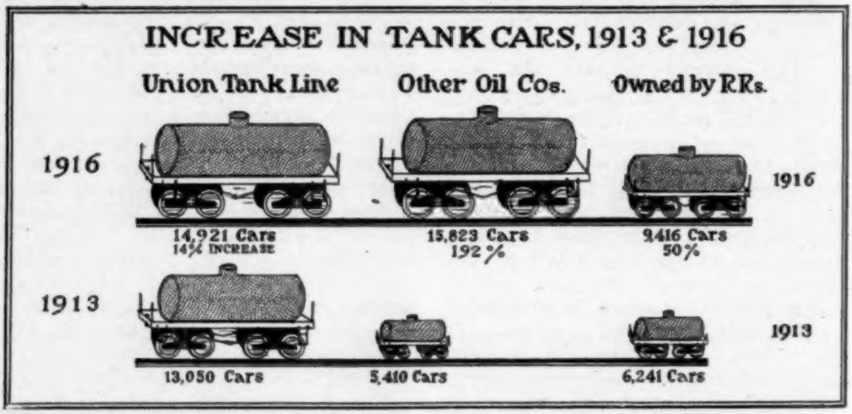
Company a Storm Center in Oil Trade—Larger Dividend Outlook—The "Private Car" Question and What It Means to Union

By LAWTON SHEPARD

UNION Tank Line Company is a storm center in the competition in the oil trade between Standard Oil and the independent oil companies. Charges have been made by independent oil men that Standard Oil control of Union Tank Line Company has been a powerful weapon in the hands of Standard in building up its business. With close to 16,000 tank cars at its disposal the Union Tank Line Company has been in the position of being of great value to refiners. Inability of a refiner to get a tank car for his refined product obviously would restrict his marketing activity. This power has been watched carefully by independent oil men and it is not unnatural that they have claimed favoritism on the part of the

Union Tank Line Company for Standard Oil refining companies.

The growth of the oil tank car business, however, fails to show that independent oil refiners are at the mercy of Union Tank Line. Referring to the graphic it will be seen that since 1913 Union Tank Line Company's equipment has increased 14 per cent, while that of other oil companies has increased 192 per cent. Oil tank car equipment owned by railroads has increased 50 per cent in the same time. This does not show any domination of the industry by Union Tank Line Company.



The Private Car Hearing

Of more importance to the investors is the question, now before the Interstate Commerce Commission, as to the status of private car companies. The commission is considering this question which mainly is whether cars for special purposes should be provided by the railroads or by private car companies.

Aside from this point there appears to be nothing to cause an investor to hesitate about an investment in Union Tank stock. The company is operated with Standard Oil efficiency and is earning its dividend three or four times over. Its report for 1916 showed net earnings of $2,081,000, equivalent to $17.34 a share on $12,000,000 capital stock, compared with earnings in 1915 of $1,067,000, or $8.89 on the stock. The big increase in 1916 earnings, it is believed, was maintained in 1917, and a report even more favorable than the 1916 exhibit is looked for on operations in the last twelve months. The large increase in 1916 over 1915 was due to the tremendous demand for gasolene which required enormous movement from refineries, most of which is done in tank cars.

The Biggest Carrier

The company is the largest carrier of refined petroleum products in this country. It supplies the Standard Oil companies with their tank car equipment and it also supplies a number of independent companies, which is an argument against the claims of the independent refiners that discrimination is practiced by the company.

Growth of Union Tank Line Co. as shown by its orders for new equipment in last six years, is shown in Table I.

TABLE I—New cars ordered.

1912	1,000
1913	1,000
1914	2,100
1915	1,000
1916	*4,250
1917	2,000

***Of the cars ordered in 1916, about 2,000 were delivered, leaving a total of more than 4,000 to be delivered during 1917 and 1918.**

At the end of this year Union Tank Line Company expects to have about 20,000 cars in service. Most of the new equipment is of the 10,000 and 8,000 gallon types. These two types, together with the 6,500 gallon tank car, comprise most of the equipment of the company. The modern 10,000 gallon

tank car represents as striking an example of the progress of the oil industry as any. It compares with the early tank car in about the same proportion as the new office building compares with the structures of an earlier decade.

Profitable Business

Long hauls have been profitable for Union Tank Line Company. At the close of 1916 the company carried its car equipment, less depreciation, at $13,486,000, compared with $11,351,000 at the end of 1915. Its total assets amounted to $14,759,000, against which there were $405,000 in accounts payable. It had a surplus of $2,354,000. The book value of the stock at the close of 1916 was about $120 a share. The company's appraisal of its equipment is regarded as highly conservative. New tank cars cost about $4,000 each. At a valuation of $1,000 a car the company's 16,000 cars would be worth a couple million dollars more than the amount at which they are carried on the books of the company.

On the basis of its present earnings Union Tank Line appears to be in a strong position. The possibility of still higher rates may place it in even a stronger position. In the matter of rates, the company receives from the shipper an initial charge for supplying the car and a daily rental while the car is under load. The railroads receive the regular tariff charges from the shipper for the transportation of oil, and in turn pay the tank car company three quarters of a cent a mile, loaded and empty, for the use of its cars.

TABLE II—Rates received by Union Tank Line Co., being determined on a gallonage basis:

Capacity of car	Initial charge	Daily rental
6,500	$1.95	$0.65
8,000	2.40	.80
10,000	3.00	1.00

Larger Dividend in Order

Leaving aside the question of what the Interstate Commerce Commission will determine on the private car hearing, which must be borne in mind by the investor, the outlook for Union Tank stock is favorable. Assured of all the business it can handle because of the demand for oil, which demand, by the way, appears to be one of constant growth, it would seem that larger payments to stockholders would be in order. With earnings of more than $17 a share in 1916 and with probably well in excess of $20 a share in 1917 the dividend of $5 a year looks small, and hardly sufficient return to stockholders for their faith in the company.

It is even felt that the company might recapitalize. This is argued on the ground that its equipment is worth greatly in excess of the amount placed on it in the balance sheet. It is pointed out that at the time of the dissolution of the Standard Oil Company of New Jersey in 1911, the Union Tank Line Company had 12,000 cars and a capitalization of $12,000,000, placing a valuation of $1,000 on each car. The Union Tank Company will have 20,000 cars by the end of this year, which, at a valuation of $1,000 for each car would represent $20,000,000. As shown above, the present cost of a tank car is about $4,000, so that a maximum value for the 20,000 cars might be figured up to $80,000,000. Of course, the proper valuation is nowhere near this extreme, but it is obvious that Union Tank's present capital of $12,000,000 fails to represent with complete accuracy the value of the property.

There is a $7,500,000 5 per cent equipment note issue, put out last year, ahead of the stock issue, but these notes are to be retired serially from August 1, 1918, to August 1, 1920.

Outlook

If the Interstate Commerce Commission should decide the private car question by a ruling to the effect that railroads will have to supply tank cars, involving the elimination of private car companies, the dissolution of the Union Tank Line Company, it is argued, would prove to be on a much better basis than is represented by the present price of the stock.

All things considered, purchase of Union Tank stock at present prices of around $85 a share should prove profitable. If the company's existence is not interfered with by the Interstate Commerce Commission's private car ruling, the company's earnings are practically certain to be sufficient to pay the present dividend and even to increase it substantially.

Oil Notes

These notes are a record of recent price-affecting FACTORS, and are not to be regarded as RECOMMENDATIONS, to purchase or sell.

COSDEN—Magnolia Interested?—Large quantities of crude produced by Magnolia Oil is being handled by Cosden pipe lines and refineries. Magnolia has three refineries with 34,000 barrels daily capacity; the late John Archbold (Standard Oil N. J. President) was largest stockholder in Magnolia. It is rumored that "interesting developments are under way" in connection with Magnolia, although denied by Cosden officials. Cosden leases in Okla., Kansas, Ky. and Wyo. aggregate about 300,000 acres according to reports.

HALE PETROLEUM—A Merger of Hale Enterprises—Company incorporated in Delaware for $20,000,000, is a merger of the Eureka Oil Co. and other enterprises controlled by S. H. Hale, of Kansas City. Of the authorized stock, $18,000,000 is common and the balance 7% convertible pfd. Par value of all shares is $5. It was stated that the basis for taking over the Eureka Oil Co. is five shares of Hale common stock for one share of Eureka common stock and share for share of the Eureka pfd. stock. The Eureka company is said to have valuable holdings in Kansas, Oklahoma, Colorado and Texas. Mr. Hale has also put $1,500,000 worth of other property into the new company and also assigned to it an option on his holdings in the now famous Trapshooters Oil & Gas Co.

IMPERIAL OIL—A Growing S. O. Subsidiary—Incorporated recently in Canada, with a capital of $50,000,000, divided into 500,000 shares of $100 each, to acquire the Imperial Oil Co., Ltd., to search for and sell petroleum, natural gas, coal, oil, salt, metals, etc. Incorporators: Walter Clarke Teagle Chas. Orrin Stillman and Geo. Wm. Mayer. Chief place of business, Toronto, Ont. The incorporation will probably be followed by the distribution of stock in the new company to shareholders in Imperial Oil Co., Ltd. It is thought that the new stock will be distributed on a share for share basis. Company will take over the business of refining and marketing petroleum carried on in Canada and Newfoundland by the old company. The charter gives it the right to operate livestock ranches and to deal in agricultural products. This new move follows the issuance of 50,000 shares of stock at par in the ratio of one share for every five shares held by the shareholders. Imperial Oil is the Standard Oil organization in Canada. It has grown rapidly in the last few years, and operates a series of refineries reaching across the Dominion. The recent stock issue and the incorporation of the Imperial Oil, Ltd., are the result of the expansion in its business.

MIDWEST OIL—Heavy Deliveries—Is reported to be delivering 20,000 barrels daily to Mid. Refining at Casper, at $1.15 a bbl. The Salt Creek field, in which company operates, is developing rapidly a prolific second Wall Creek sand.

MID. REFINING—Still Growing—Now handling 20,000 barrels daily, capacity of refineries are being increased to 40,000. Company is reported to be third largest gasoline producer in U. S A., under present capacity. Company has erected barracks for its men to drill in Big Muddy and Pilot-Butte fields in winter, without interruption.

OKLAHOMA—Osage-Hominy Merger—At a meeting of directors of Oklahoma the stock of Osage-Hominy deposited with the Bankers Trust Co. under the consolidation agreement, was legally turned over to the former company. Of the 1,000,000 shares outstanding 970,000 were deposited. Owners of the remaining stock in Osage-Hominy have the privilege of turning it in to the company.

PENN-MEX — New Producers — As a result of the bringing in of two large wells on the company's property in Mexico, the position of South Penn, one of the large Standard Oil producing companies, has become stronger. South Penn Oil owns 51% of stock of Penn-Mex. One of the new wells brought in by Penn-Mex is estimated to be good for 40,000 barrels a day. The other is regarded as almost as large in volume and of better quality. Considering the condition of the crude oil market there appears to be every reason to believe the 20% annual dividend will be continued on South Penn stock in 1918.

S. O. OF KANSAS—**(See special article)**

UNION OF CALIFORNIA—Extra Dividend—Company has declared an extra dividend of $1 a share, in addition to the usual quarterly dividend of $1.50 a share, payable January 19 to stock of record January 10. Three months previously an extra dividend of the same amount was declared.

UNION TANK—**(See special article)**

VENTURA CONSOLIDATED — New Well—Company has brought in Willard Harvey well No. 1 at 1,620 feet and producing 300 barrels per day. Its importance is in proving oil in this company's property at half the extreme former depth. The company claims to have four distinct oil levels of depth; 900 feet, 1,600 feet, 2,200 feet and 3,200 to 3,400 feet. The plant is reported refining 2,000 barrels a day into finished stocks. The new wax plant is a success, and cleaned up 5,000 lbs. from the first 300 barrels of distillate treated, according to late reports. The management figures that the profit on 2,000 barrels a day output is $2.50 a barrel net, or $5,000 a day.

UNLISTED SECURITIES

American Manufacturing Co.

Remarkable Growth of This Company Since the War—Has Paid 100% in Stock Dividends in Last Four Years—Strong Financial Condition

By RALPH L. CARMICHAEL

AMERICAN Manufacturing is one of those fortunate companies to whom the war brought unprecedented prosperity. Its principal line of business is the manufacture of cordage, jute, twine, cotton piece goods and bagging for baling cotton. The exceptional demand for these products, together with advancing prices has spelt unusual profits for the company in the past two years.

Sales of manufactured goods jumped from $9,500,000 in 1915, to $16,000,000 in 1916, which compares with a previous high of $12,000,000 made in 1913. The company has not as yet given out any information in regard to what the 1917 business amounted to, but it is expected that the showing will compare very favorably with that made in 1916, as there has been no let up in the demand for the company's products and prices have been on an ascending scale.

The company does not issue any income account, but the great progress it has made can be readily seen by a comparison of its balance sheet as of December 31, 1916, with that of December 31, 1915. See Table I.

Working Capital

It will be noted that working capital as of December 31, 1916, was $7,898,351, as compared with $4,552,202 as of December 31, 1915, an increase of $3,346,149. There was expended for new property and additions $691,794 and there was charged off for depreciation $334,272.

Profit and loss surplus increased from $861,824 on December 31, 1915, to $4,565,466 on December 31, 1916.

This is truly a remarkable showing and entirely justifies the decision of the management to increase the capitalization by cutting a melon in the form of stock dividends.

Stock Dividends

On April 15, 1917, a 16⅔ per cent. stock dividend in preferred stock was distributed to common stock holders and in addition a 33⅓ per cent. stock dividend in common stock, thus increasing the common stock outstanding to $8,000,000 and the preferred stock outstanding to $4,000,000. In addition an extra cash dividend of 2 per cent. was paid. The dividend record is shown in Table II.

At a stockholder's meeting held February 27, 1917, the authorized common stock was increased from $6,000,000 to $12,000,000, of which $2,000,000 was paid out as a stock dividend as already noted. Of the $4,000,000 unissued stock, $1,000,000 is reserved for sale to employees at not less than par.

TABLE I—AMER. MANUFACTURING CO.

General Balance Sheet as of December 31

	1916	1915
Assets		
Plants, waterpowers, etc.	$5,664,115	$5,306,622
Merchandise and mat...	6,056,057	4,240,671
Salable securities........	3,000	3,000
Notes and accts. receiv..	1,455,060	824,189
Advance payments......	516,623	1,120,941
Supplies, etc..............	109,835	75,416
Cash	514,581	875,910
Total	$14,319,271	$12,446,749
Liabilities		
Common stock..........	$6,000,000	$6,000,000
Preferred stock..........	3,000,000	3,000,000
Debts and reserves......	753,805	2,584,925
Surplus	4,565,466	861,824
Total	$14,319,271	$12,446,749

The present company was incorporated April 13, 1910, in Massachusetts. Its principal plants are located at St. Louis, Missouri, Charleston, South Carolina, Brooklyn and Victory Mills, New York. Last fall work was started on a new $500,000 factory and it is expected that this new plant will contribute to earnings before the close of the year.

A Record of Growth

American Manufacturing Co. has an excellent record of consistent growth and has shown the ability to pay substantial dividends in bad as well as in good times. Of course its present unusual prosperity cannot be expected to be indefinitely maintained, but even should there be a decided falling off in business the company should be able to pay the present 6 per cent. dividend on the common stock without any trouble.

TABLE II—AMER. MANUFACTURING CO.
Dividend Record

	Preferred Stock	Common Stock
1910	5%	7%
1911	5	6
1912	5	8
1913	5	10
1914	5	†8
1915	5	6
1916	5	7
1917	5	*8

*In addition 16 2/3% in preferred stock and 33 1/3% in common stock.

†In addition a 50% dividend paid on preferred stock.

Outlook Bright

Present prospects are that earnings in 1918 will be right up with the best ever shown by the company and if these prospects are realized it is quite to be expected that common stockholders will be favored with extra dividends of either stock or cash. In this connection it will be noted that $3,000,000 authorized common is available for stock dividends.

The common stock has recently been quoted between $130 and $140 a share. At this level it would appear to have discounted to a large extent the favorable developments in regard to the company. Under conditions prevailing before the war the company's earning power very probably would not be sufficient to conservatively pay larger dividends than 7 or 8 per cent. on the common stock.

Position of Stock

The preferred stock which is entitled to 5 per cent. dividends looks attractive from the investor's standpoint. The working capital of the company alone is nearly twice the par value of the preferred stock outstanding.

Stockholders who acquired their holding when the company was incorporated back in 1911 have fared remarkably well. The original capital consisted of $6,000,000 common. The $4,000,000 preferred outstanding and the $2,000,000 additional common outstanding was all given away as stock dividends.

HOW SAVING SERVES TO HELP THE GOVERNMENT

There is every expectation that we shall emerge from the war in a position of commanding economic potency and prestige. But in order to retain that position and fully to utilize it for our country's welfare, we must be ready to act along well-planned lines and with suitable instruments at our hands. It is none too soon to prepare.

We must all save, rich and poor. But a general exhortation to save is not enough. The people ought to be instructed in exact detail how and where and in what way to save.

If necessary, such directions ought to be given the force of law. Some savings are more needed and more effective than others. Some are wiser than others. Certain excesses of saving are actually unwise, some positively harmful.

The national benefit derived from savings is not and cannot be accomplished entirely by the individual. If he saves ten dollars, the immediate result is that he can loan that amount to the Government.

But an equally important result is that to the extent of ten dollars, he has set labor free from private purposes to war purposes. How to direct and utilize the labor thus set free by private thrift is the task—and a highly important task—of the Government.—*Otto H. Kahn.*

Lehigh Valley Coal Sales Co.

A Company with a Remarkable Dividend Record—Future Largely Depends on Outcome of Government Suit—Has Never Issued an Annual Report

By FREDERICK LEWIS

THE Lehigh Valley Coal Sales Co. was incorporated in January, 1912, in the state of New Jersey. It was organized for the purpose of marketing the coal mined, purchased or acquired by the Lehigh Valley Coal Co. Under a contract put into effect March 1, 1912, the Lehigh Valley Coal Sales Co. transports and markets all this coal.

The capitalization consists of one class of stock of which $10,000,000 is authorized and $9,847,793, par value $50, is outstanding. There are no bonds. All this stock was paid for in cash at par, $50. The stockholders, however, were provided with funds to pay for the stock by means of extra cash dividends in the following manner: In February, 1912, the Lehigh Valley Railroad Co. declared an extra dividend of 10% in cash which carried with it the privilege of using cash thus obtained to subscribe to $6,060,860 Lehigh Valley Coal Sales stock at par. As the Lehigh Valley Coal Sales Co. stock commanded a higher price than par on the New York Curb at that time practically all of it was subscribed for by the Lehigh Valley Railroad stockholders.

A Special Dividend

On January 27, 1914, stockholders of the Lehigh Valley Coal Sales Co. were paid a 25 per cent. cash dividend out of accumulated surplus and were permitted to subscribe at par to new stock, to the extent of 25 per cent of holdings. In June, 1917, another cash dividend of 30 per cent. was paid out of accumulated surplus and stockholders again given the right to subscribe to new stock at par to the amount of the dividend. Thus for every share taken in 1912 stockholders who availed themselves of the additional subscription privileges now have 1.625 shares.

It can be seen, therefore, that even if the Lehigh Valley Coal Sales Co. has paid out all surplus earnings in dividends since its organization, actual assets behind the stock at least equal the par value of $50. Because of the nature of the company's business, which is simply that of a distributing and selling organization, there is no good reason for believing that the assets behind the stock should depreciate in value to any appreciable extent. The greater part of these assets are kept in liquid form. The stock can, therefore, be conservatively regarded as having a liquidating value of at least $50 a share.

At the present time dividends are being paid at the rate of $2 per share (4 per cent.) every three months or $8 per share (16 per cent.) per annum. The management, however, has never specified its dividends as being quarterly, although dividends have been paid quarterly since organization. The accompanying table gives the dividend record of the company since organization.

LEHIGH VALLEY COAL SALES CO. DIVIDEND RECORD.

1912	2½%
1913	10
1914	†35
1915	10
1916	10
1917	*43

†Includes 25% dividend paid out of accumulated surplus Jan. 17, 1914.
*Includes 30% dividend paid out of accumulated surplus June 1, 1917.

From the inception of the company its management has not seen fit to give out any information in regard to its affairs. No annual reports are issued. That its contract with the Lehigh Valley Coal Co. is a highly profitable one, however, is evident enough from the dividend record. Over 100 per cent. in dividends has been paid in a space of five years.

The Government Suit

The important question to consider, therefore, is, what are the possibilities of

this contract continuing on the present favorable basis. An important point bearing on this subject is the Government suit now pending against this company and others.

On Sept. 20, 1916, the Government filed in the United States Circuit Court its brief in the case of the United States vs. the Lehigh Valley Railroad, the Lehigh Valley Coal Co., the Lehigh Valley Coal Sales Co. and others, for alleged violation of the Federal anti-trust act and of the commodity clause of the act to regulate commerce. The District Court decided the case adversely to the Government largely on the authority of the decision of the lower court in the case of United States vs. the Delaware, Lackawanna & Western Railroad, which decision has since been reversed by the Supreme Court.

Government Contention

The Government contends that the Lehigh Valley Railroad through the Lehigh Valley Coal Co., the Lehigh Valley Coal Sales Co. and other subsidiary companies, has monopolized the production, transportation and sale of anthracite coal from the mines located along its lines. It is alleged that over 90,000 acres of coal lands in the anthracite producing regions have been so acquired, numerous competing companies absorbed and the output of others controlled by purchase contracts, exclusive sales agencies, etc.

Should the defendants lose this case, and it is quite possible that they will, the Lehigh Valley Coal Sales Co.'s contract with the Lehigh Valley Coal Co. would probably have to be terminated. This should seriously affect the earnings of the former company and it might in fact cause it to liquidate its assets and go out of existence.

At present prices of around 75 the stock would not appear to be selling high considering the exceptionally fine dividend record of the company, but when the fact is taken into account that this company's present profitable business is seriously threatened by the Government suit the issue's present market position looks very different. In view of the lack of information about the earnings of the company the liquidating value of the stock can not be safely regarded as more than $50 a share; it may be more than this but that is mere guesswork.

Profit at Present Price

A holder of 100 shares of Lehigh Valley Railroad stock in 1912, who has taken advantage of all the subscription privileges would get $1,558.75 for his interest in the Lehigh Valley Coal Sales Co. at 75, including all dividends paid. It works out as follows: First subscription privilege 10 shares, second subscription privilege 2.5 shares, third subscription privilege 3.75 shares, total 16.25 shares. Market value of 16.25 shares at $75 is $1,218.75. Dividends paid, exclusive of those used to subscribe to stock, $340, total $1,558.75.

In view of the generally low levels at which high grade securities are now selling, it would appear to be the safer course for the holder of Lehigh Valley Coal Sales stock to sell out and invest the proceeds in some security whose future is not so uncertain and regarding which more information is available, especially as a handsome profit can be taken by the original subscribers to the stock.

THE PEOPLE ARE SAVING

It has been pointed out as evidence of how strongly the duty of saving had been impressed upon the English people by the war-savings campaign in that country, that in the year 1916, although purchasing billions of dollars of war bonds, the small savings-bank depositors in England increased their deposits in savings banks over $60,000,000, this in face of the fact that the English have been noted as a spending rather than as a saving people.

It seems that a similar process has taken place in America. The president of one of the large New York savings banks is quoted as saying on December 20, 1917:

"One of the most remarkable things about the Liberty Loan campaigns is the small effect they have had on the savings banks' accounts, which show an increase. This we lay to the appeals made to the American people to purchase the bonds out of their earnings, paying for them from week to week or from month to month. The people appear to be doing as they have been urged, purchasing the bonds from current savings."—*Michigan Investor*.

Unlisted Security Notes

These notes are a record of recent price-affecting FACTORS, and are not to be regarded as RECOMMENDATIONS, to purchase or sell.

AETNA—Suit Settled for $900,000—Suit brought by E. W. Bassick and H. F. Johns for the payment of promissory notes and claims for commissions has been settled by the receivers for $900,000. Judge Mayer issued an order approving the settlement. The settlement requires that payments be made $500,000 at once, $100,000 on January 15, 1918; $200,000 on February 15, 1918, and $100,000 on March 15, 1918. The settlements will give a general relief to the company of all claims held against it by the complainants. All the outstanding notes, amounting to approximately $750,000, are to be deposited with the court. Judge Mayer recently rendered a decision in which the claims of Bassick and Johns were partially upheld. These claims included the payment of the $750,000 promissory notes and commissions, the total amounting to over $4,000,000. Attorneys for the complainants claim that Judge Mayer's decision gave them $946,000, while the attorney for the company contended that the restitution amounted to $818,000. A compromise was effected by which the company paid the $900,000 settling all the claims. The settlement rids company of the largest claim against it at the time it went in the receivers' hands

AMERICAN MANUFACTURING—(See special article)

CONNECTICUT BRASS—Initial Dividends—Announcement was made January 2, 1918, that company had declared initial quarterly dividends of $2 a share on its 1st and 2d pfd. issues, payable January 21 to stock of record December 31. None of the $600,000 of 1st pfd. stock is outstanding, being held in reserve for the conversion of an equal amount of two-year 6½% notes recently sold. The company has $400,000 of 2d pfd. stock.

CRAMP SHIP BUILDING—Dividend of 3% Declared—Company has declared a dividend of 3%, payable February 1 to stock of record January 15. At the same rate as six months previously, when dividends were resumed. Announced, that Charles Hayden, of Hayden, Stone & Co., bankers of New York and Boston, had been elected a director, in place of J. Kearsley Mitchell of Philadelphia, who resigned, as he is in the Government service.

CURTISS AEROPLANE — $15,000,000 First Mortgage Bonds—Company will create $15,000,000 first mortgage serial 6% bonds, dated January 1, 1918, maturing as follows: Series A, $359,000, January 1, 1919; B, $356,000, January 1, 1920; C, $348,000, January 1, 1921; D, $328,000, January 1, 1922; E, $1,982,000, January 1, 1923, and series F, $11,627,000 maturing January 1, 1924. Series A, B, C, D and E will be offered in exchange, dollar for dollar, for outstanding prior lien 6% notes and 6% gold notes of 1927. These will be identical with the outstanding notes, being convertible into common stock at $50 a share and callable at 102½. Series F will not be convertible, but will be callable at par. It is provided in the mortgage that bonds of this series cannot be issued or sold or otherwise used as long as any of the existing notes or of the bonds issued for exchange for the existing notes are outstanding. The purpose of the issue of series F bonds is to enable the company to offer Government "proper security" for advances under the law whereby Government is entitled to advance up to 30% of contracts in force, upon the offer of "proper security." The creation of this bond issue entails no immediate new financing other than the advance of money. No securities will be offered to the public.

POOLE ENGINEERING—Naval Guns—Company has started erecting a 100 x 500-ft. building of steel frame and brick for the manufacture of 4-in. naval guns for the Government. Deliveries are expected to begin in May. The plant will employ about 350 men and capacity will be three guns every two days. The new building will cost about $500,000.

SMITH MOTOR—Announcement was made of the election of the following to directorate: P. L. Coonley, Vice Pres. Link Belt Co., Chicago; C. E. Danforth, of Van Emburgh & Atterbury; W. R. Dawes, Vice Pres. Central Trust Co., Chicago; O. J. Fehling, manager National Malleable Castings Co., Chicago; D. W. Figgis, Pres. Smith Motor Truck Corp., Chicago; David R. Forgan, Pres. National City Bank, Chicago; J. M. Hoyt, Central Bond & Mortgage Co., Chicago; C. B. Little, Central Bond & Mortgage Co., Chicago, and J. L. Putman, New York City. This board is an evidence of the expected aggressive management promised by D. W. Figgis, the company's President. The company marketed slightly over 20,000 Smith Form-a-Truck Units during 1917.

WRIGHT-MARTIN—Orders Total $35,000,000—Company at beginning of 1918 had orders on its books aggregating a total of $35,000,000, and is turning out ten motors per day. It is said this is the only real motor for battle planes being turned out in the United States at this time. Other motors are used largely for schooling and scouting. The price of the 150-horsepower motor is understood to be under $5,000, and in view of the temporary character of the business the basis of the Government contract is somewhat higher than the usual "cost-plus."

TOPICS FOR TRADERS

U. S. Steel's Market Action

Small Possibility of the Rebound from 80 Marking a Definite Turning Point in the Market

By THOS. L. SEXSMITH

IN April, 1916, on the day preceding the holiday, Good Friday, U. S. Steel common sold at $80 the share. Twice before, during the same year, it had reacted to that figure, or slightly below, each time rallying away from it with a considerable show of energy. During the previous year, it will be recalled that Steel had enjoyed a fifty-point advance, starting from the minimum price, 38, established on February 1, and finally rising to within a fraction of a point of 90 on the last market day of December.

In the early days of November, 1915, when the memorable boom of that year was fast approaching its climax, Steel common first entered the ten-point price range between 80 and 90. It seems remarkable, indeed, in the light of the recent wide fluctuations which have occurred in this widely distributed stock, that for ten months following its entry into the price range mentioned Steel did not once move materially out of it. The price of 80 was achieved first on October 1, then came a small recession, but a few days later Steel was again above 80, and it did not sell above 90 or below 80 until the middle of August, 1916.

Quiet Accumulation

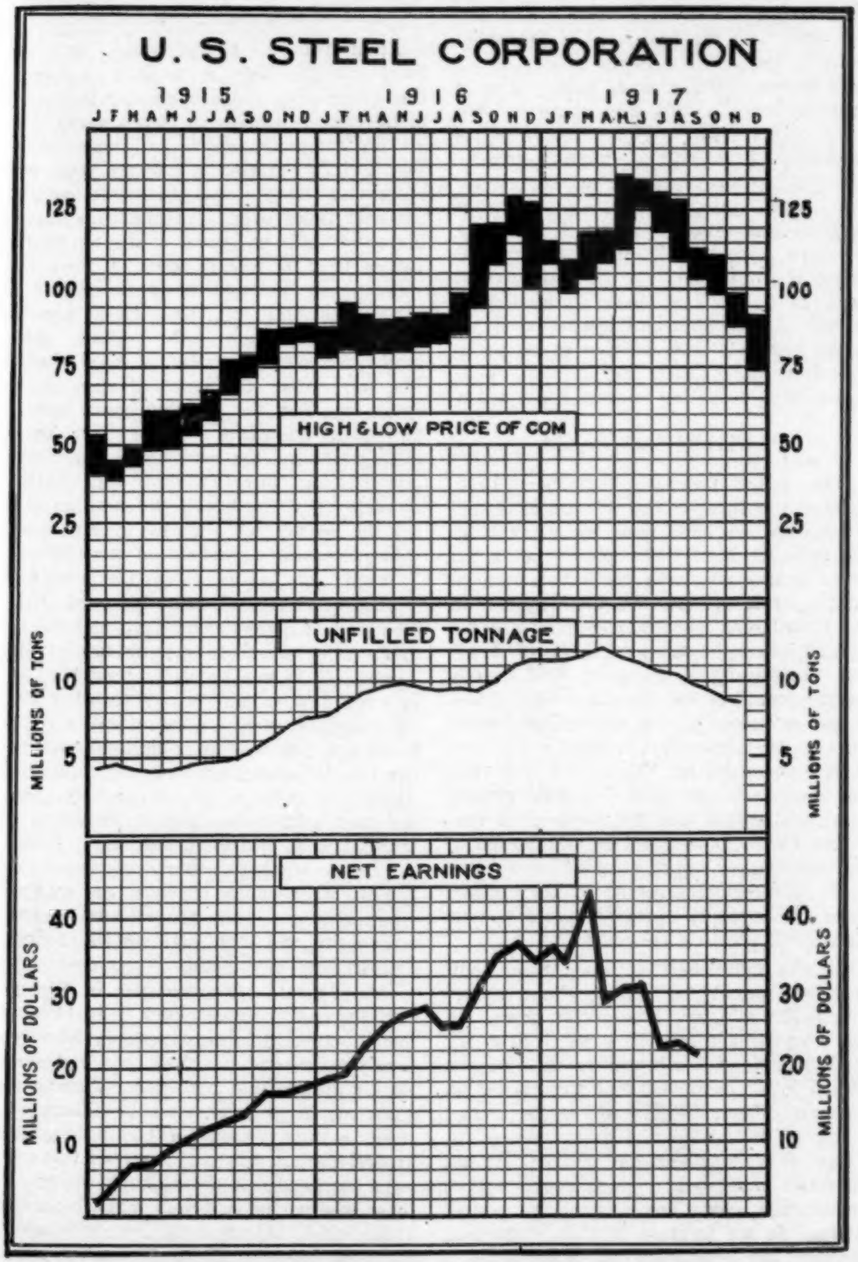
Students of security price fluctuations are pretty well agreed as to what took place during the long time covered by the restricted movement in the price of Steel common between 80 and 90. Throughout almost all the period referred to there was a distinct, and in the last few months of the period, a startling improvement in the steel industry. Demand, production and prices were constantly increasing, until towards the end, records of many years standing were eclipsed. It is reasonable to assume that those who were in a position to secure reliable information concerning what was going on in the industry at the time made up a large proportion of the many persistent buyers who took all the Steel that was offered at the prices then prevailing. That the accumulation was skillfully carried out is plainly evident; the buying at no time became aggressive until all wants were filled, or at least not to such an extent as to unduly stimulate the price action of the stock. Patience was the watchword, and it surely met with its own reward.

During the first few trading days in August, 1916, the daily price fluctuation of Steel common did not exceed one full point. Daily volume of sales in Steel dropped almost to the vanishing point. The trading public as a whole lost all interest in their one-time favorite, as well as in the market generally. But it was only one of those periodical lulls before the storm. Great deeds were brewing in Steel, as the following four months disclosed.

Ready for the Rise

The extreme dullness in Steel and in the entire stock market, which set in during the last days of July and continued into the first days of August, indicated a market technically "milked dry" of stocks. In the long period of inactivity in Steel all holders who could be tired out of their stock were induced to sell, and nothing developed of an untoward nature sufficiently alarming to induce any large number of share owners to throw their holdings into the laps of those who were obligingly standing by waiting to snap them up. So, the time of the year being favorable, and fundamental conditions rapidly bettering, Steel and the market generally entered into what proved to be a most spectacular advance which lasted from the middle of August until the end of November.

Not until Steel had advanced to 120, in the latter part of September, 1916, did



any great amount of realizing take place. Those who had bought it so quietly during the early half of the year were willing to let others share in the possible further profits as soon as the 120-130 price range was approached. The colossal unloading

which took place in the months of October, November and the first half of December probably stands alone in the history of the stock market. Other years have witnessed quite as large a turn-over, perhaps, but never before such a gigantic shifting of ownership as that of the period referred to. The public came into the market excited and eager, fairly swamping brokerage facilities with orders to buy. It took stock at record prices which only a few months before it would not look at at figures as much as 50 per cent. lower. But that is the way of the public in the market. It requires fireworks and shooting prices to attract it to the market, and once in, it requires rough handling to drive it out again.

Up-Trend Interrupted

The peace talk of December, 1916, marked the turn of the tide in Steel and it declined to par again by the end of the month. Many who bought it in the twenties did not have the satisfaction of holding it long. But the final chapter in the distribution of Steel common was not written until the early summer of 1917. After recovering in January, 1917, nearly twenty points of its December loss, it declined to below par on the declaration of unrestricted undersea warfare by the German government on February 1. It was not until the month of May that the general market situation had improved to a sufficient extent to warrant the resumption of the distributive effort in Steel which had been so rudely interrupted by the appearance of seemingly authentic peace rumors during the previous December.

In the latter half of May, Steel common was quickly marked up about twenty-five points to a new high record price. In the nine market days from the 15th to the 25th it advanced eighteen points or more. When it is considered that this meant an increase of over $90,000,000 in the market value of the issue, or a daily average increase of ten millions, one will readily understand that such a pace could not be maintained for any extended period. Values do not increase in such a startling manner, nor is appreciation of value likely to lag behind to such an extent as to require so violent an adjustment.

A Successful Distribution

From May 25 to the middle of July Steel common was maintained within a nine-point price range, with 130 for center of the range. During the seven weeks used at this range the entire capitalization of the Steel Corporation in common stock was reported as having changed hands one and one-half times over. Anyone who missed his opportunity to buy it at the top in the fall of 1916, or having bought it there was subsequently shaken out in the decline to par which followed, was given another chance. Although half million share days were quite common in Steel during May and June, it did not advance any to speak of after the eighteen-point upward movement described. There were many false starts and the newspapers and financial bureaus fairly teemed with bullish pointers on Steel, but it did nothing during the period save see-saw up and down without getting anywhere in particular.

It was not, however, until the latter part of August that the distributive possibilities of Steel had become exhausted, and the actual decline which is still on began. By August 17, it was yet as high as 125, but in a few days it had declined to below 105. This decline, both by its extent and the manner of its making, established beyond question the character of the manipulation which had taken place around 130, showing that around that figure thousands of shares had passed from one class of ownership to another. Many of those who bought were unable to hold on to their stock when the price was allowed to scale downward, and they were forced to liquidate as best they could.

When Steel approached par in September, 1917, and broke below it in October, there were a number of people who evidently believed that it had then had about all the decline that conditions affecting the stock at the time demanded. There was again a huge volume of trading in Steel around those levels, and much of this may have represented a taking back process by those who had sold it very much higher in 1916 and 1917. But the ease with which it broke down to 89 in November would seem to controvert that theory. If the interests which bought the Steel sold just

above par during the early fall of 1917 represented those actually on the inside as regards information on the day to day developments in the affairs of the corporation, it seems unlikely that the stock would later have been allowed to decline to 80, without receiving support in the market of a powerful kind. It is possible that even the so-called "insiders" could have erred in their market judgment to the extent of being wrong over twenty points in a month or so, but it is now quite probable.

Selling Pressure Resisted

The most persistent resistance to the downward pressure in the price of Steel common developed when it approached 80 in the middle of last December. For eight trading days it swung up and down above that figure, and during the period something over one million shares of Steel were dealt in. While the stock appeared very weak throughout most of the trading done, it failed to go down materially after touching 80 on the first of the eight days. Finally it began to rally in earnest, and by January 3, 1918, it had recovered nearly twenty points to 98.

This rally proved to be the most vigorous of any which has occurred since Steel started on its downward trend in August, 1917. Had evidence been forthcoming of any large reaccumulation of Steel common by those strong interests who offered it so freely at much higher prices several months ago, it might well be assumed that the recent rally in Steel had marked a genuine turn for the better in the market prospect for the stock. So far there is little to be had from a study of its price and volume record in the market to justify the opinion that any important accumulation of it has been made.

On the contrary, while Steel common was fluctuating just above 80 in December, no great effort was made to dislodge large quantities of the stock. This may be ascertained from the fact that the average daily volume for the period was less than 150,000 shares. However, after a rally of nearly twenty points, and public buying enthusiasm has again been revived, daily volume of sales has jumped to the boom times figure of over 300,000 shares daily. A stock like Steel is not as a rule accumulated twenty points up from a recent low point by any such manipulative tactics. Therefore, one is forced to the conclusion that the intention of important interests working in Steel common is still to sell rather than to buy, and that as a consequence, the stock will eventually seek a lower price level than has been already seen in the present movement. That is the outlook, from a technical market viewpoint, at the time of writing, January 7.

Steel a Laggard

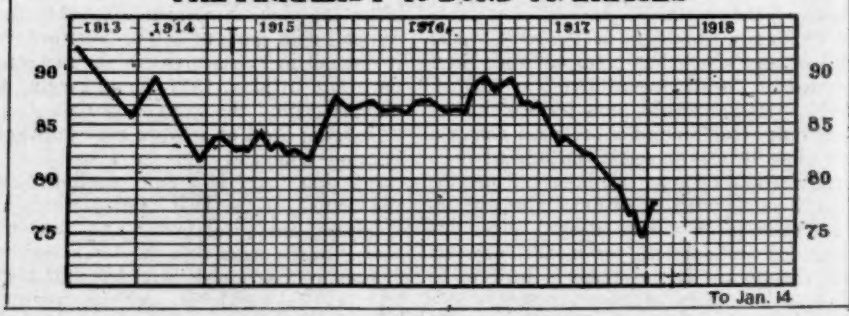
While a market leader of the first order, when itself moving, Steel is a conspicuous laggard at establishing its extreme price quotations in its larger price swings. In the great bear movement from October, 1912, to the closing of the Exchange in June, 1914, the market, as measured by the averages of the familiar 50 stocks, made its low on the day on which the Exchange was officially closed. Steel common did not make its low for the movement until February 1, 1917, six months later than the averages. In the grand bull swing from the re-opening of the exchange to the day on which the market averages made their historical high, November 20, 1916, Steel responded in part, as before described, but it did not make its high for the movement until late in May, 1917, again lagging six months behind the average market.

Judging Steel on its own past form solely, and admitting, for the sake of argument, that there is a fair possibility that the bottom of the bear market which has continued for a solid year and more may have already been seen as far as average figures are concerned, Steel has still plenty of time in which to seek its minimum price level for the present bear epoch in its traditionally backward manner.

Two of the most important indices of the conditions prevailing in the steel industry, the unfilled tonnage and earnings figures of the Steel corporation, have as yet given no decisive evidence of a reversal of the present reactionary trend. In this connection it is permissible to suggest that any substantial change for the better in the fundamental factors underlying the steel industry as a whole, would in all probability be anticipated to some extent by an effort at an important accumulation of the shares of the Steel corporation in the stock market.

COMBINED AVERAGES OF 50 RAILROADS & INDUSTRIALS

THE ANNALIST 40 BOND AVERAGES



MARKET STATISTICS

			Dow Jones Avgs.		50 stocks			Breadth
		10 Bonds	20 Inds.	20 Rails	High	Low	Total Sales	(No. issues)
Monday,	Dec. 31...	82.4	74.38	79.73	66.26	64.54	931,100	246
Tuesday,	Jan. 1...	82.6	Stock Exchange Closed (New Year's Day)					
Wednesday,	" 2...	83.2	76.68	79.46	67.41	65.62	1,226,100	254
Thursday,	" 3...	83.3	76.18	80.02	68.37	66.40	1,400,900	251
Friday,	" 4...	83.5	75.56	80.28	67.79	66.34	933,900	212
Saturday,	" 5...	83.5	73.75	79.19	66.49	65.25	526,900	201
Monday,	" 7...	83.4	74.86	79.12	66.27	65.11	598,900	185
Tuesday,	" 8...	83.7	74.63	79.33	67.27	65.74	776,900	187
Wednesday,	" 9...	83.9	75.61	79.76	67.15	65.98	437,500	182
Thursday,	" 10...	83.9	76.33	79.53	67.15	66.16	501,200	181
Friday,	" 11...	84.0	75.00	78.96	66.80	66.09	460,300	176
Saturday,	" 12...	83.9	74.48	78.53	66.01	65.49	331,400	138